Petro-Canada
1991 Annual Report

Petro-Canada has joined the private sector

This year, with an Initial Public Offering, Petro-Canada welcomed more than 100 000 investors to direct participation in the Company's future

Petro-Canada is committed to enhancing shareholder value.
To this end, Petro-Canada is pursuing these objectives:

- Significantly improve financial performance
- Rebalance the asset portfolio to enhance short and medium term cash flow while maintaining profitable growth opportunities
- Divest non-core and underperforming assets in order to focus on those business activities which have the greatest potential for adding value
- Fund future investments from operating cash flows and divestiture proceeds
- Reduce debt to increase financial strength and flexibility

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Corporate Profile

Petro-Canada is the largest Canadian-owned oil and gas company, with assets of $6 billion and revenue of nearly $5 billion in 1991.

The Company is organized into two operating divisions and a small corporate staff. Petro-Canada Resources, the "upstream" business, explores for, produces and markets crude oil, natural gas, natural gas liquids and sulphur. The "downstream" business, Petro-Canada Products, refines crude oil and distributes and markets petroleum products and related goods and services. ICG Propane Inc., a wholly owned subsidiary, is one of Canada's two largest propane retailers.

Established in 1975 as a Crown corporation, Petro-Canada has evolved over time into a fully commercial company. On July 3, 1991, Petro-Canada completed its Initial Public Offering of common shares. Approximately 19.5 per cent of the Company is held by public shareholders. The balance is held by the Government of Canada as an investment.

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Highlights

Financial	1991	1990	1989
Net earnings (loss) (millions of dollars)	(598)	176	16
– net loss per common share (dollars)	3.08		
Cash flow from operations (millions of dollars)	292	621	452
– cash flow per common share (dollars)	1.50		
Expenditures on property, plant and equipment and exploration (millions of dollars)	652	643	568
Cash flow return on capital employed (per cent)	7.3	13.6	10.4
Return on capital employed (per cent)	(8.5)	5.9	2.6
Return on equity (per cent)	(23.6)	7.2	0.7
Average capital employed (millions of dollars)	5 649	5 843	5 597
Shareholders' equity (millions of dollars)	2 493	2 582	2 293
Total debt (millions of dollars)	1 649	2 242	1 948

Operating	1991	1990	1989
Crude oil and field natural gas liquids production, net before royalties			
(thousands of barrels per day)	93	94	100
(thousands of cubic metres per day)	14.7	15.0	15.9
Natural gas production, net before royalties (millions of cubic feet per day)	524	498	573
(millions of cubic metres per day)	14.8	14.1	16.2
Proved reserves, net before royalties (millions of oil equivalent barrels)	880	1 040	1 106
(millions of oil equivalent cubic metres)	140	165	176
Crude oil processed (thousands of barrels per day)	261	274	292
(thousands of cubic metres per day)	41.4	43.6	46.5
Petroleum product sales (thousands of barrels per day)	260	269	279
(thousands of cubic metres per day)	41.3	42.7	44.4

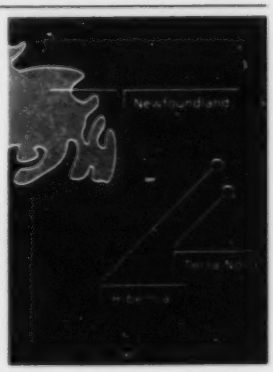
Conversion Factors

To conform with common usage, imperial units of measurement are used in this report to describe exploration and production while metric units are used for refining and marketing.
Dollars are Canadian unless otherwise stated.

1 barrel	=	0.159 cubic metre	1 cubic metre	=	6.29 barrels
1 cubic foot (natural gas)	=	0.028 cubic metre	1 cubic metre (natural gas)	=	35.31 cubic feet
1 imperial gallon	=	4.55 litres	1 litre	=	0.22 imperial gallon
1 acre	=	0.405 hectare	1 hectare	=	2.47 acres
1 ton (long)	=	1.016 tonnes	1 tonne	=	0.984 ton (long)
1 mile	=	1.609 kilometres	1 kilometre	=	0.62 mile
1 barrel of oil	=	5 803 cubic feet of natural gas (energy equivalent)	1 cubic metre of oil	=	1 034 cubic metres of natural gas (energy equivalent)

Petro-Canada at a Glance

Resources Division

	Western Canada	Frontier Canada	International
Business	• Explores for, produces and markets crude oil, natural gas, natural gas liquids and sulphur • Accounts for about 5% of Canada's crude oil and 5% of its natural gas production • Holds a large working interest in the Syncrude oil sands project • Operates a major natural gas liquids extraction plant at Empress, Alberta • Operates or has interests in several pipelines	• Explores for and develops offshore and northern petroleum resources • Owns 25% of the oil discovered so far off the East Coast • Holds a 25% working interest in the Hibernia oil development • Will lead development of the Terra Nova oil field as operator and 44% interest holder	• Explores for and develops crude oil in selected countries • Current key exploration areas are Myanmar, Vietnam (offshore) and Yemen
1991 Highlights	• Discovered natural gas at Murray River in British Columbia • Brought gas fields on stream at Klua and North Bubbles in British Columbia • Discovered light oil at Larne in Alberta • Started construction of waterflood facilities at Golden Lake oil field in Saskatchewan • Became operator of natural gas properties and processing plant at Hanlan, Alberta	• Began construction of the platform production facilities for the Hibernia oil development • Agreed with co-owners on the optimal production system for Terra Nova	• High-graded portfolio to focus on the best prospects • Sold or relinquished holdings in non-key countries • Moved into the drilling phase in Myanmar and Vietnam • Identified drilling prospects in Yemen
Industry Outlook	• No real growth expected in oil or gas prices in the near term • Light/heavy crude oil price differential expected to remain high in 1992	• Frontier development will be an important source for medium and long term reserve additions • Capital constraints will limit the pace of development	• The trend will continue for North American oil companies to devote a larger proportion of available resources to international exploration and development • Increasing focus on countries where exploration and/or application of advanced technology has been limited
1992 Initiatives	• Continue asset rationalization through strategic divestments, acquisitions and swaps • Achieve further operating efficiencies and cost reductions • Pursue gas exploration through farmouts and joint ventures • Maintain a reduced but strategic interest in oil sands	• Work with co-owners to attract a new Hibernia participant • Continue efforts to divest a minority interest in Hibernia to reduce capital requirements	• Drill exploration wells in Vietnam, Myanmar and Yemen • Farmout and joint venture in order to reduce capital commitments in the near term
Key 1991 Statistics	**Crude oil production mix** Conventional light 37% Conventional heavy 16% Field NGLs 13% Bitumen 4% Synthetic crude 30%		

Products Division

Corporate and Other

Refining

- Converts crude oil into a full range of refined products
- Major products are gasoline, diesel fuel, jet fuel, asphalt and heavy fuel oil
- Produces premium lubricants at Mississauga (part of the Lake Ontario refinery)
- Operates about 19% of Canada's refining capacity

- Integrated refining more effectively with other businesses to optimize performance of Strategic Business Units
- Reduced working capital requirements
- Closed a small, high-cost refinery at Taylor, British Columbia
- Divested interest in MTBE plant at Edmonton, Alberta

- Rationalization by the refining industry will reduce excess capacity
- Refiners may face significant capital expenditures if environmental standards similar to recent U.S. legislation are adopted

- Begin closing the Port Moody refinery and the fuel products units at Mississauga
- Pursue opportunities to divest or possibly joint venture the Montreal refinery and to joint venture the lubricants operation at Mississauga

Marketing

- Markets refined products through a nationwide network of wholesale and retail outlets
- Distributes products through 16 terminals and 2 pipelines
- Provides various product offerings including Certigard car care, convenience stores and car washes
- Ranks second in retail gasoline with a 19% market share

- Regional Strategic Business Units given greater authority and accountability for performance
- Local Unit Management (LUM) and Wholesale Marketer programs extended among retailers and wholesalers
- "Premium" asphalt launched commercially in Canada and U.S.

- Refined products demand is expected to remain weak in the near term
- Industry rationalization will begin to relieve excess marketing capacity

- Begin an extensive program to close or divest more than one third of retail and wholesale outlets
- Continue expansion of the LUM and Wholesale Marketer programs to improve operational efficiency

ICG Propane

- Wholly owned subsidiary, acquired in 1990
- Markets propane for industrial, commercial, residential, farm and remote location markets
- Markets auto propane through a network of owner and dealer operated outlets from British Columbia to New Brunswick

- Confirmed position as Canada's leading auto propane retailer
- Significant cost reductions from organizational effectiveness programs
- Average sales volume per employee improved 3% over 1990

- Auto propane prospects remain dependent on conversion technology, taxation and relative pricing
- Propane will continue to compete effectively with other fuels, especially for high-volume users
- Growth in niche markets is likely to offset a small loss of volume due to the construction of a natural gas pipeline to Vancouver Island

- Extend quality service program throughout the organization
- Selectively expand into areas of geographic under-representation
- Continue research and development for new product applications

Investments and Other

- Small corporate groups support divisional activities
- Finance and planning functions manage the Company's financial affairs
- Investments include 37% of Westcoast Energy Inc., 50% of the Petro-Canada Centre office complex in Calgary, and other smaller assets

- Raised net proceeds of $523 million from Initial Public Offering
- Reduced total debt by $593 million and interest charges by $75 million
- Received investment-grade credit ratings
- Refinanced U.S. $600 million of long-term debt

- Bank of Canada anti-inflation policy beginning to have effect
- Strong chance of significantly reduced inflation and interest rates
- Narrowing interest-rate spread with the United States could lead to weaker Canadian dollar

- Refinance more of the remaining government-backed debt
- Further reduce costs in corporate support groups

Refinery production mix

- Gasolines 43%
- Distillates 32%
- Heavy fuel oil 5%
- Asphalt 4%
- Other 16%

Refined product sales volume by region

- Western 33%
- Central (Ontario) 42%
- Eastern (Quebec and Atlantic provinces) 25%

Propane sales volume by market segment

- Auto propane 38%
- Commercial 29%
- Industrial 20%
- Residential 7%
- Agricultural 6%

Capital structure

- Short-term debt 2%
- Long-term debt 30%
- Deferred credits and deferred income taxes 20%
- Shareholders' equity 48%

Chairman's Report

I would like to welcome all the new shareholders who have chosen to share in Petro-Canada's future.

This has been a momentous year for our Company, exciting yet at the same time the most challenging in my 15 years as Chief Executive Officer.

In 1991, Petro-Canada entered the private sector. Privatization became a reality on July 3. Petro-Canada concluded a treasury issue of 19.5 per cent of its common shares, for net proceeds of $523 million. With this new equity, the Company was able to pay down a good portion of its short-term debt, significantly reducing debt servicing costs and strengthening the balance sheet.

Unfortunately, our transition to the private sector took place in a year which saw the worst economic conditions in recent memory for the integrated oil and gas sector in Canada. During 1991, Petro-Canada and its competitors reported unprecedented losses.

Petro-Canada's Executive Council. Seated: Bill Hopper, Chairman and Chief Executive Officer. Standing (l. to r.): Jim Pantelidis (President, Products division); Jim Stanford (President and Chief Operating Officer); Wesley Twiss (Senior Vice-President and Chief Financial Officer); Norm McIntyre (President, Resources division).

Price volatility due to Mideast crisis hit Canada hard

The heavy losses in the first half were primarily driven by the extraordinary events in the Persian Gulf. Crude oil prices rose sharply following Iraq's invasion of Kuwait in August 1990. In keeping with Canadian pricing practices, these cost-of-crude increases were not fully reflected in product prices for two to three months, until products made from high-cost crude reached markets.

Most analysts expected prices would rise even higher when hostilities began. Instead, crude oil prices dropped sharply when it became clear the war would be short. Over just two days in January, benchmark crude prices dropped about U.S. $13 per barrel – or 40 per cent – on world markets.

Petro-Canada and its competitors were left with large inventories of high-priced oil. Market prices for refined products in Canada slumped quickly, in large part due to cross-border competition, as U.S. prices immediately follow crude price movements, up or down. Canadian refiners were not able to recover the full cost of their crude oil inventories.

Commodity prices remain severely depressed

After the severe losses in the first half of 1991, downstream margins recovered somewhat in the summer, but declined again in the fourth quarter.

The recession has cut Canadian refined product demand 9 per cent since 1989. Fierce competition in Canada's overbuilt refining and marketing sector has prevented the integrated companies from earning an adequate return.

Oversupply and low demand due to the prolonged, severe recession have pushed prices down for almost every major commodity we produce. The price of oil today, in real terms, is lower than it was in 1974. Natural gas prices are the lowest in 13 years, and heavy oil

prices are substantially depressed in relation to light oil. Gasoline prices, net of taxes, are lower in real terms than in 1980 when unleaded gasoline was introduced. While the prices we receive for our commodities have remained low, the Consumer Price Index has more than tripled since 1974 and our costs of doing business have risen considerably.

Results dismal despite operating success

Petro-Canada's results are stark proof of the difficult situation the industry faced in 1991. Earnings were negative, even before unusual items, and cash flow of $292 million was less than half what we expected. Our cash flow return on capital employed was just 7.3 per cent.

These dismal results came despite considerable operating success. We brought our Klua gas field on stream just 30 months after discovery, an example of how our value centres are reducing cycle time to bring quick returns. We made an important gas discovery in British Columbia, and increased our production and sales of natural gas. In the downstream, we more than held our share of a highly competitive market.

Our asset rebalancing program made headway, with sales of non-core properties and strategic acquisitions. We also sold our interest in the MTBE plant under construction in Edmonton and agreed to sell a portion of our interest in the Syncrude oil sands project. Construction began on the Hibernia offshore oil development; we are seeking to sell a portion of our interest in this capital-intensive project.

Steps taken during 1991 to improve performance

Early in 1991, the Products division cut nearly 300 positions and shut down a small, high-cost refinery. In the third quarter, we scaled back capital expenditures and took further steps to cut operating and overhead costs.

We trimmed 1991 expenditures on property, plant and equipment and exploration from a planned $835 million to $652 million. General and administrative expenses decreased by $24 million. We broadened our efforts to rebalance our asset portfolio and sell underperforming assets, raising $311 million in cash proceeds. We drew new money into our exploration program through farmouts and joint ventures. We reduced our debt by $593 million.

Tough action will be taken to resize the business

We will not ask our shareholders to wait for the business environment to improve. Oil and natural gas prices will likely remain low in 1992. Product demand is unlikely to recover to pre-recessionary levels in the near term. We cannot keep doing the same things and expect different results.

Late in 1991, we assessed and compared all of Petro-Canada's assets in terms of their potential for adding to shareholder value. On January 23, 1992, after evaluating the results of this study, the Company announced it will restructure its downstream business to cut excess capacity and reduce costs. Petro-Canada will mothball units at two refineries, offer parts of its refining business for sale or possible joint venture and close or sell one third of its marketing outlets.

We will live within our means. The Company will limit capital expenditures to its capacity to fund them from cash flow and dispositions. To reduce capital commitments, we are working to sell portions of our interests in frontier and other major projects. We will continue to sell non-strategic assets and invest the proceeds to improve cash flow and earnings in the short and medium term.

Company has long-term strength

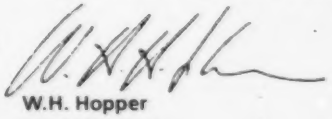
Petro-Canada has shared in the decline of oil stocks on Canadian exchanges. But I am certain our Company will come through these tough times to prosper in the years ahead.

We have great opportunities. With international exploration and 25 per cent of the discovered oil off Canada's East Coast, we are better placed than any other Canadian company to add new light oil reserves as the Western Canadian basin declines. We are finding and developing natural gas, and will benefit as prices rise in the years ahead. And, once we have streamlined our downstream business, an efficient refining and marketing network will contribute to our success.

Petro-Canada's employees showed their faith in our future when 85 per cent of them chose to buy shares in the Company. Their energy and experience will see us through this difficult period and move us on to future success.

I would like to express my appreciation for the confidence in Petro-Canada's future that our shareholders demonstrated in fully subscribing to our Initial Public Offering, and to thank our Board of Directors for their diligence, guidance and support in this challenging year.

We are in a tough business environment. But we have taken action that will result in a smaller but stronger Petro-Canada. Our goal is to build shareholder value as a highly focused, competitive and profitable Company.



W.H. Hopper
Chairman and
Chief Executive Officer

March 23, 1992

The passage of the Petro-Canada Public Participation Act and the Company's Initial Public Offering moved Petro-Canada into the private sector in 1991.

[illegible] for the Company

Petro-Canada is now a fully commercial enterprise, competing on an equal footing with others in the industry.

Petro-Canada is no longer required to undertake activities to further public policy objectives, as it was in its early days as a Crown corporation.

The Company is now focused on building shareholder value. The Board of Directors must make decisions in the interests of all shareholders.

The Company will continue to offer service to the public in both official languages as appropriate, and will continue to adhere to the intent of employment equity legislation.

Some of Petro-Canada's long-term debt is still backed by the Government of Canada, a facility for which the Company pays a fee. Petro-Canada has agreed to refinance this debt under its own credit by January 1995.

[illegible] of the IPO

The treasury issue of 42 004 784 common shares at a price of $13.00 was fully subscribed. The Initial Public Offering generated net proceeds of $523 million, which were used to reduce Petro-Canada's short-term debt and lower its debt servicing costs.

Petro-Canada's shares are trading under the symbol "PCA" on Canadian stock exchanges.

The Petro-Canada Public Participation Act

Under the Petro-Canada Public Participation Act, Petro-Canada Limited, the former holding corporation previously known as Petro-Canada, continues as a Crown corporation. The new Petro-Canada, the former operating subsidiary previously named Petro-Canada Inc., was privatized on July 3, 1991.

The privatized Petro-Canada comprises virtually all the operating activities, businesses, and assets of the original Petro-Canada group.

The Act limits individual ownership of Petro-Canada to 10 per cent and foreign ownership to 25 per cent of the publicly held shares.

While a few restrictions are placed on Petro-Canada by the legislation – such as maintaining its head office in Calgary – these are not viewed by the Company as impediments to its operations or performance.

With the passage of the Act, Petro-Canada is no longer subject to the Crown corporation legal framework.

Milestones

February 20, 1990
The Minister of Finance announced in his budget speech the Government of Canada's decision to privatize Petro-Canada.

February 21, 1990
The Minister of State for Privatization announced that, following legislative and regulatory steps, Petro-Canada's Board of Directors would be asked to offer a treasury issue of about 15 per cent of the Company.

October 1, 1990
The privatization legislation, *Bill C-84*, was presented to the Parliament of Canada for debate.

February 1, 1991
Following approval by the House of Commons and the Senate, Bill C-84 gained Royal Assent. The legislation is known as the *Petro-Canada Public Participation Act*.

March 19, 1991
The Government of Canada appointed a Board of Directors for the new company.

May 9, 1991
Petro-Canada filed a preliminary prospectus with securities regulators across Canada.

May-June, 1991
The Company agreed with the Government of Canada on the restructuring of its debt and obtained provisional credit ratings from four debt-rating agencies.

May-June, 1991
Petro-Canada conducted an investor roadshow in 13 cities in Canada, six cities in Europe and three cities in the United States.

June 18, 1991
Petro-Canada filed its final prospectus.

June 25, 1991
Petro-Canada's stock began trading on all Canadian exchanges on an "if, as and when issued" basis under the symbol "PCA".

July 3, 1991
The Initial Public Offering, one of the largest in Canadian history, formally closed and the stock was officially listed on Canadian exchanges.

October 31, 1991
Petro-Canada completed the refinancing of U.S. $600 million of government-backed long-term debt.

February 3, 1992
Petro-Canada's stock was added to the Toronto Stock Exchange's TSE 300 Index. The stock became one of only five in the integrated oils sub-group.

May 5, 1992
The Company will hold its first annual meeting of shareholders in Calgary.

Who Owns Petro-Canada Shares

At the time of the Initial Public Offering, 19.5 per cent of the Company's stock was purchased by more than 100 000 shareholders.

As of February 1992, about 16 per cent of the publicly held shares were held outside Canada, principally in Europe and the United States.

More than 85 per cent of Petro-Canada's employees are shareholders.

Petro-Canada has more shareholders than any other Canadian oil and gas company. It has one of the largest numbers of shareholders among publicly traded companies in Canada.

Sale of Government Shares

At year end, the Government of Canada retained 80.5 per cent of the Company's shares. The Government's shares are held by the Minister of State (Finance and Privatization).

The Government has stated its intention to sell, over time, its remaining shares in Petro-Canada.

In the meantime, the Government has committed to hold its shares as an investor and not to intervene in the management of the Company.

Until July 3, 1994, or until the Government of Canada's holdings fall below 50 per cent of outstanding common shares, whichever is sooner, the Government of Canada must approve any issue of treasury shares by the Company.

Communicating with Investors

Petro-Canada is committed to comprehensive and timely disclosure to the investment community, its shareholders and the broader public.

An Investor Relations department has been set up to facilitate communications. A new section, Information for Shareholders and Investors, is found on page 63 of this report.

Resources Division

The Resources division reported earnings from operations of $31 million. Including a provision for a $95 million after-tax writedown in the carrying value of the Company's interest in the Syncrude oil sands project, the net loss was $64 million. Cash flow was $303 million. Lower prices for crude oil and natural gas were largely responsible for these results. The division's financial performance is discussed fully in Management's Discussion and Analysis (page 24).

Natural gas production increased 5 per cent over 1990 volumes, reflecting increased direct sales to U.S. and Canadian markets. Production of crude oil and field natural gas liquids declined 2 per cent from 1990, due to property sales and depletion of conventional fields in Western Canada.

Resolution of the Persian Gulf crisis early in 1991 brought a return to low prices for the division's crude oil production, particularly for heavy oil. Prices for natural gas continued to weaken, due in part to intense competition among producers.

As these conditions showed no sign of improving by mid-year, management scaled back investment activity to a level that could be sustained with available funds. The division reduced total 1991 expenditures on property, plant and equipment and exploration to $341 million from a planned $460 million. Reducing operating costs and overhead were identified as major priorities.

Strategies bring focus in difficult environment

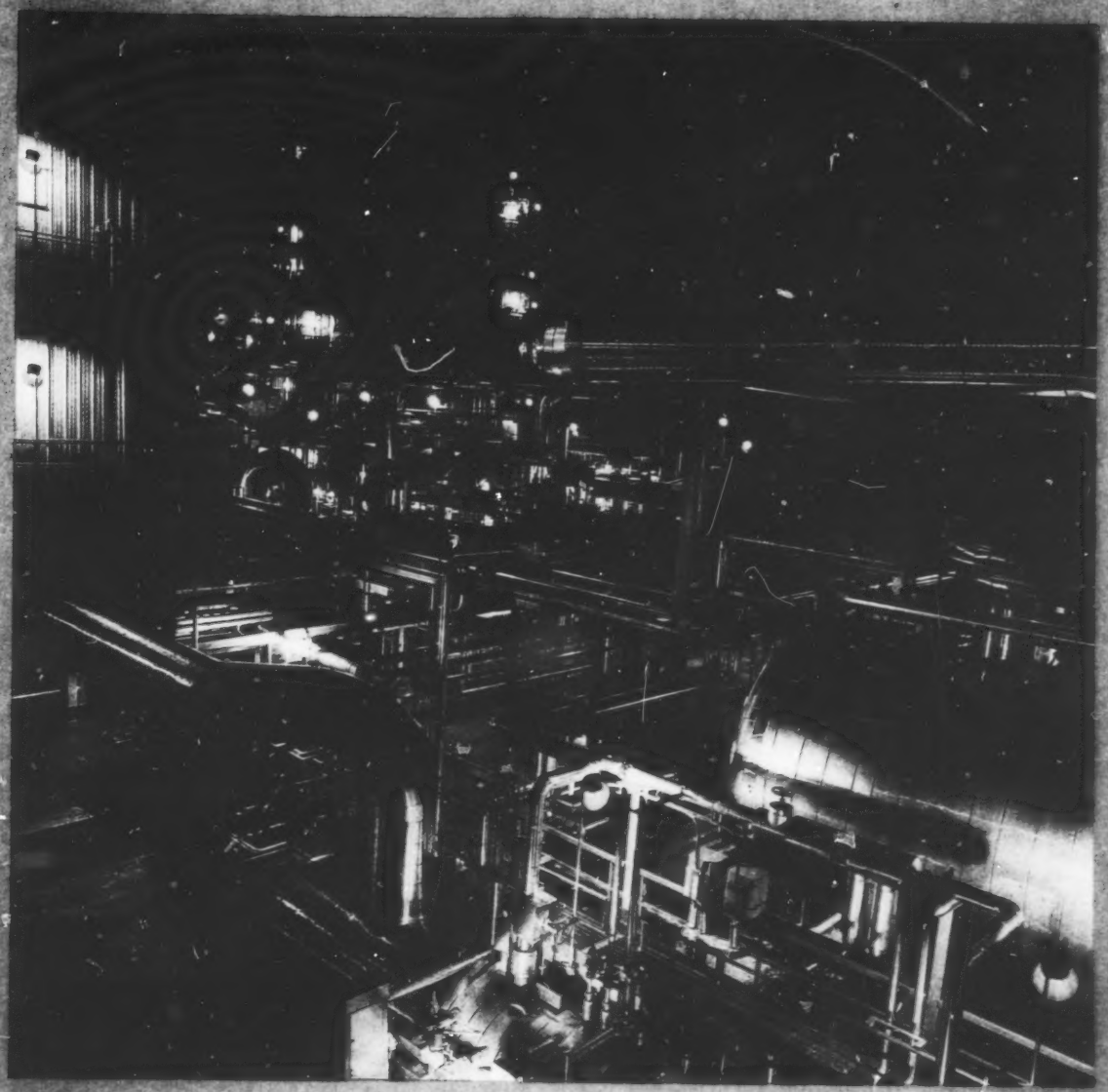
The division is pursuing several strategies to improve its returns. Creating a better balance between long-term, capital intensive projects and shorter-term, cash-generating activities is a clear priority. Petro-Canada is seeking to divest portions of its interests in the Hibernia and Terra Nova offshore oil discoveries and the Syncrude oil sands project. Western Canada assets are being rationalized to focus on the operations with the highest potential for adding value. Gas and light oil prospects will be pursued, in part through farmouts and other means of bringing new funds into play. Farmouts are also being sought to sustain international exploration.

Petro-Canada believes the natural gas business will continue to grow and the Company will therefore maintain its strategic emphasis on gas exploration, development and marketing. The potential for significant light oil reserve additions in Western Canada, however, is limited. The Company therefore continues to look to its substantial offshore discoveries and to international prospects for light oil additions in the medium to long term.

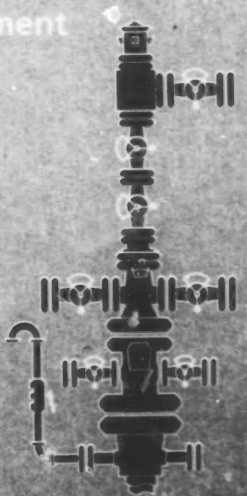
Total quality management through continuous improvement is being progressively implemented throughout the division. A process has been put in place to capture and implement employees' cost reduction and efficiency ideas.

Financial (millions of dollars)	1991	1990	1989
Earnings (loss)			
From operations	31	199	84
Writedown of investment in Syncrude	(95)	–	–
	(64)	199	84
Cash flow from operations	303	480	374

Operating	1991	1990	1989
Crude oil and field natural gas liquids production, net before royalties (thousands of barrels per day)	93	94	100
Natural gas production, net before royalties (millions of cubic feet per day)	524	498	573



Petro-Canada will maintain its strategic emphasis on natural gas exploration, development and marketing



The "Christmas tree" wellhead symbolizes the Company's continued strength in natural gas production and marketing.

With 25 per cent of the oil discovered off the East Coast, Petro-Canada has opportunities to offset declining production in Western Canada

Oil from Petro-Canada's Terra Nova discovery could be developed using a cost-effective floating production system.

Natural gas strategy yields results
Petro-Canada made a deep gas discovery at Murray River in the Grizzly Valley of British Columbia. The Company has a 50 per cent working interest and is the operator. The initial well in this highly prospective area added 18 billion cubic feet of proved reserves. Flow tests indicate an initial capability of 40 million cubic feet per day. Petro-Canada has more than 350 square kilometres of leases in the surrounding area and plans to continue exploration and timely development for tie-in to the Pine River gas plant expansion in 1994.

Development drilling at North Bubbles and Jedney, 130 kilometres northwest of Fort St. John, British Columbia, added 24 billion cubic feet of proved reserves. Production began late in the year.

In early November, Petro-Canada brought on stream its 100 per cent owned Klua gas field, 40 kilometres southeast of Fort Nelson, British Columbia. Production and pipeline facilities were completed and the field began production just two and a half years after the initial discovery, at a sales rate of about 30 million cubic feet per day. Two successful wells were also drilled during the year, increasing proved reserves by 25 billion cubic feet.

The natural gas marketing group was able to partly offset the decline in natural gas prices by increasing sales, particularly direct sales to industrial users and local distribution companies. In 1991, about 21 per cent of natural gas deliveries were to end users, 57 per cent to shippers and 22 per cent to Petro-Canada facilities. Arrangements were also concluded to sell gas to cogeneration customers in Ontario, California and the Pacific Northwest, commencing in 1992.

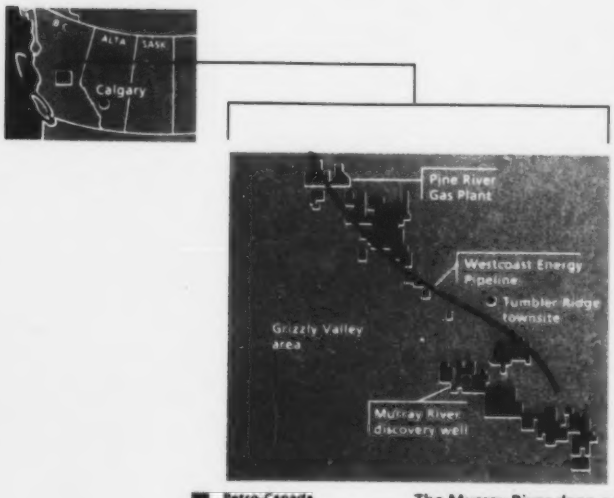
The Company's natural gas liquids straddle plant at Empress, Alberta, continues to be a significant contributor to cash flow. Following a recurrence of turbine failures in 1991, Petro-Canada plans to improve the reliability of the plant by replacing the turbines in 1992 and 1993.

In December, Petro-Canada invested in a joint exploration company to conduct a $20 million exploration program in British Columbia and Western Alberta. The new company, in which Petro-Canada holds a 43 per cent interest, anticipates drilling three wells in 1992.

Oil exploration and development proceeds
An attractive light oil discovery was made during the year in northern Alberta. Discovery of a new pool at Larne, 100 kilometres northwest of High Level, added 500 000 barrels to the Company's proved reserves.

At the Golden Lake, Saskatchewan, heavy oil field, facilities are under construction for a waterflood program that will augment production beginning in the fourth quarter of 1992. The waterflood program employs the same technology used to raise daily production at the Company's Salt Lake heavy oil field from 790 barrels in 1989 to 1 750 barrels in 1991. Daily production at Golden Lake averaged 2 200 barrels toward the end of 1991.

Progress made in asset rebalancing
A two-pronged program begun in 1989 achieved major successes during 1991. Property sales captured value from non-strategic or underperforming



The Murray River deep gas discovery added 18 billion cubic feet to Petro-Canada's proved reserves.

Recompleting a well for injection at the Golden Lake oil field, where waterflood is expected to augment production late in 1992.

assets. To increase ownership in strategic areas, the division made selective acquisitions.

At year end, Petro-Canada held interests in 330 producing fields in Western Canada, down from about 500 at the start of 1989. By the end of 1993, further asset rebalancing should leave the Company with interests in less than 200 producing fields but operatorship of more than 80 per cent of its conventional production. The division is also rationalizing its holdings of oil sands leases, retaining only prime properties.

Proceeds from the sale of non-strategic conventional oil and gas properties were $115 million in 1991. Acquisitions of oil and gas reserves amounted to $23 million and included the purchase of additional working interests in seven fields.

Late in the year, Petro-Canada completed a transaction that gave it operatorship of a major natural gas complex in Alberta. The Hanlan-Robb natural gas properties, 200 kilometres west of Edmonton, include numerous fields, a natural gas plant and associated facilities. One of the fields supplying gas to the plant is Petro-Canada's largest producing gas property.

The net effect of the program in 1991 was to reduce proved reserves of oil and field natural gas liquids by 19 million barrels and gas by 95 billion cubic feet. Daily production was lowered by 5 000 barrels of oil and field natural gas liquids and 21 million cubic feet of gas.

In the fourth quarter of 1991, the Company signed a letter of intent to sell a 5 per cent interest in Syncrude to Mitsubishi Oil Company Ltd. for $132.5 million. Petro-Canada could receive up to an additional $50 million within a ten-year period if cash flow exceeds a predetermined level. The sale is expected to be completed in late March 1992, leaving Petro-Canada with a 12 per cent ownership. The Company had earlier written down its investment in the project to better reflect market value.

Frontier development begins

Construction has begun on the platform production facilities for the Hibernia offshore oil field. Petro-Canada has a 25 per cent interest in the project. The Company's share of 1991 consortium costs was $62 million. In February 1992, Gulf Canada Resources Ltd. announced it would withdraw from the project. The remaining co-owners have slowed down construction and are pursuing available options to allow continuation of the project.

In 1991, Petro-Canada, as operator of the Terra Nova oil field, reached agreement with the other interest holders on a floating system as the preferred option for production of the reserves.

In view of capital constraints, Petro-Canada is seeking to divest minority interests in key frontier projects, including Hibernia and Terra Nova.

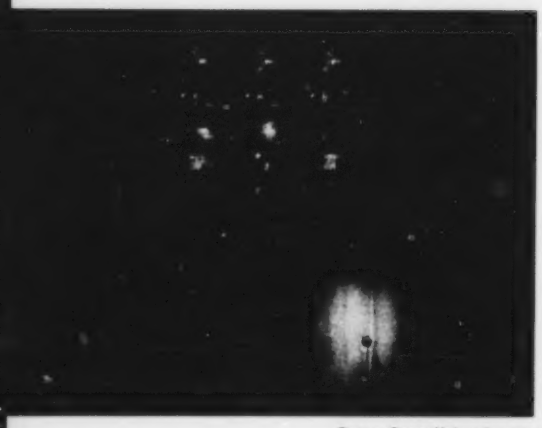
International activities focused in key countries

The Company has narrowed its international exploration focus to its most prospective light oil plays – in Myanmar, Vietnam and Yemen. Landholdings were sold or relinquished in Pakistan, Ecuador, Malaysia and Papua New Guinea.

In Myanmar, Petro-Canada began drilling its first Company-operated well on Block E in November. A farmout arrangement was subsequently concluded which lowered the Company's interest in the block from 70 to 50 per cent. The drilling is expected to be completed in March 1992. Petro-Canada is also a 30 per cent participant in partner-operated Block F, where a 1991 exploration well did not yield commercial hydrocarbons.

Offshore Vietnam, where the Company has a 50 per cent interest and is the operator for Blocks 3, 12 and 20, the first well drilled was dry and abandoned. Petro-Canada plans a second well in the second quarter of 1992.

In Yemen, where the Company has a 35 per cent interest and operatorship of the Habrut block, Petro-Canada proceeded with seismic mapping in readiness for drilling in mid-1992.



Petro-Canada is now operator of the Hanlan-Robb natural gas complex in Alberta, which includes the Company's largest producing gas field.

Products Division

The Products division lost $109 million from operations in 1991. After an unusual item relating to restructuring and reorganization, the net loss was $488 million. The division's financial performance is discussed fully in Management's Discussion and Analysis (page 25).

Petro-Canada's refined product sales declined 3 per cent from 1990, although total sales by the industry dropped 6 per cent. Refinery utilization declined to 74 per cent, primarily due to reduced demand.

The downstream industry faced an unusually difficult business environment in 1991. The effects of extremely volatile crude prices in late 1990 and early 1991, compounded by a sharp decline in demand for petroleum products due to the recession, caused earnings to plummet across the industry.

In mid-January, events in the Persian Gulf triggered an unexpected sharp drop in world crude prices. Cross-border competition and other factors forced Canadian product prices down before refiners could recover the full cost of their high-priced crude inventories. As a result, Petro-Canada and other Canadian integrated companies suffered serious losses in the first half of the year.

Margins recovered somewhat in the third quarter, bringing a return to positive earnings. However, the fundamentals of the Canadian market remained poor, with substantial overcapacity in both refining and marketing. Product demand continued to slump in the unexpectedly prolonged recession. In the fourth quarter, continued intense competition again produced a loss.

Unacceptable losses required decisive action

The division took steps early in the year to restrain spending and reduce costs. A reorganization cut nearly 300 positions and eliminated much low-value-added activity. In response to the poor results of the first six months, expenditures on property, plant and equipment were cut from a planned $344 million to $287 million.

In July, the Company closed its small refinery at Taylor, British Columbia. The area is now supplied from the lower-cost Edmonton refinery, improving its utilization. Portions of the Taylor assets were sold for net proceeds of $13 million.

With losses recurring in the fourth quarter, it became clear these steps were insufficient. Decisive action was needed to enable the Products division to consistently perform well despite a business environment that is likely to remain difficult. In particular, action was needed to address the excess capacity in Canada's overbuilt refining and marketing networks.

Financial (millions of dollars)	1991[1]	1990	1989
Earnings (loss)			
From operations	(109)	125	105
Restructure and reorganization	(379)	–	–
	(488)	125	105
Cash flow from operations	15	258	237

Operating	1991	1990	1989
Petroleum product sales (thousands of cubic metres per day)	41.3	42.7	44.4
Crude oil processed by Petro-Canada (thousands of cubic metres per day)	41.4	43.6	46.5
Average refinery utilization (per cent)	74	80	86

Rationalization plan announced

Late in 1991, the Company launched a rigorous analysis to determine and compare the capacity of its assets and activities to add to shareholder value. Based on that work, Petro-Canada announced in January 1992 that it will sharply rationalize its refining and marketing operations.

By mid-1993, Petro-Canada will convert its refinery at Port Moody, British Columbia, into a receipt and handling facility to accept refined products from its Edmonton refinery. The Port Moody refining units will be mothballed.

The fuel products units at the Lake Ontario refinery's Mississauga plant will be taken out of operation and the plant reconfigured to an asphalt and lubricants manufacturing and packaging operation. This change will increase the efficiency of the overall Ontario refining operation.

When completed, the changes at the Port Moody and Lake Ontario facilities will reduce Petro-Canada's refining capacity by 12 500 cubic metres a day, improving refinery utilization by bringing supply into better balance with demand.

Petro-Canada is also seeking to sell or possibly joint venture its Montreal refinery and will pursue joint venture options for its lubricants operation.

In addition, the Company intends over the next two to three years to close or divest more than one third of its marketing network of 3 150 retail and 338 wholesale outlets.

In view of these plans, the Company has made provision for closing, mothballing and clean-up costs and has written down the book value of these assets, recording a charge against 1991 earnings of $369 million after tax.

During 1991, as part of its asset rebalancing strategy, the Company sold its interest in Alberta Envirofuels Inc. in two separate transactions. The joint venture has nearly completed a plant in Edmonton to produce MTBE, a gasoline additive. Petro-Canada decided to sell its interest to realize value from this non-core project and direct the funds to other uses.

Strategic business units established

An improved operating structure was implemented in April to contribute to better results. A strategic review, completed in January 1991, confirmed the value of the division's regional organization in terms of customer focus and adaptability to market conditions. However, it also showed an opportunity to gain competitive advantage by fully capturing the value of being an integrated business.

The reorganization established the Eastern, Central and Western regions as strategic business units (SBUs), with the full span of control to effectively manage an integrated business. The division's head office is now focused on strategy and inter-SBU synergies. Most support functions were transferred to regional control. Lubricants was set up as a national SBU, based on its specialized product line and service.

SBUs took action to improve performance

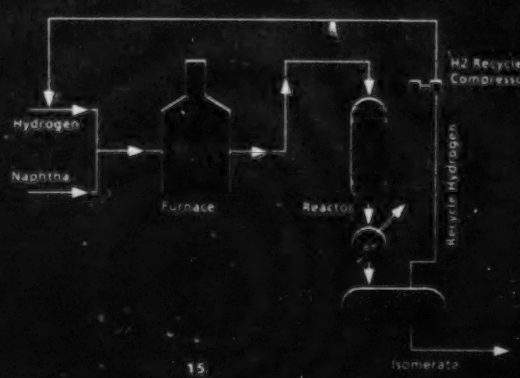
In each SBU, business integration teams focused on short-term optimization. The teams developed better ways to optimize the contributions of supply, refining and marketing operations to overall SBU performance while managing risk in volatile conditions. One important result was the reduction of inventories by 327 000 cubic metres at year-end from a year earlier, reducing the working capital that would otherwise have been tied up in inventory by $73 million.

Each region took steps to increase refinery reliability. For example, Eastern region continued reinstrumentation and modernization work at the Montreal refinery. Three out of six major areas in the plant have now been upgraded, and the plant has achieved a significant improvement in reliability.

The lubricants SBU is implementing strategic programs to increase sales in foreign and domestic markets. Petro-Canada's pure HydroTreated base oil and products are increasingly sold in those market segments willing to pay a premium for their quality. Export sales continue to grow, and by year-end distribution agreements were in place for 30 countries.

Cross-functional teams, such as this Western Region team dealing with diesel issues, take an integrated approach to business improvement.

Refinery utilization will be improved by reducing capacity and focusing on the most efficient operations



Petro-Canada's investments in refining technology enable it to produce advanced fuels to meet changing environmental standards

Rationalization will give Petro-Canada a more efficient marketing network

The three regions now have full responsibility for performance as integrated Strategic Business Units

Research and development activity is focused on lubricant development and assessment of new technologies for application within Petro-Canada. Recent successes include development and marketing of environmentally friendly lubricants and defoamers for the forestry industry. "Premium" asphalt, a value-added, high-margin product for use on heavy-load roadways, has gained market acceptance through test paving. Manufacturing facilities for Premium asphalt were completed at the Mississauga plant, and nearly 2 million litres were sold in 1991 in this early stage of commercialization.

Innovative means used to cut costs, enhance quality

A commitment to continuous improvement is being demonstrated throughout the division. Employee ideas are being gathered and implemented in all SBUs, contributing to efficiency, cost reduction and value creation. In Central region, for example, employees generated nearly 700 ideas. Continuous improvement teams have implemented many of them, making an important contribution to the $15 million trimmed from the region's expected operating costs in 1991.

Enhancements are also being made in management and business processes, so the business can be run more effectively.

The Company is pursuing strategic alliances or "partnering" with key suppliers. Both Petro-Canada and the suppliers use continuous improvement processes to reduce costs and manage for total quality in this non-traditional, cooperative approach to procurement. Western region, for example, has partnered with four bulk carriers for distribution, where 14 carriers were used in 1990; long-term agreements have brought consistent quality service and significant savings.

Service groups have been challenged to demonstrate that they add value. For example, the Petro-Canada credit card has traditionally been seen simply as a cost. In 1991, the retail credit card operation was redefined as a business. Costs are charged to the marketing regions, who are now able to weigh those costs against the value of the credit card as a customer benefit. Credit personnel are finding innovative ways to reduce costs and add to profitability.

Rollout of marketing strategies continued

The division continued to implement strategies launched in recent years.

Local Unit Management (LUM) was extended to more than half the retail network during 1991, following successful tests. LUM is a process for achieving retailing excellence, in which associates and Petro-Canada personnel focus their joint efforts on operational proficiency at each site. Associates are empowered to take full ownership and responsibility for the continuous improvement of their businesses.

By year-end, 93 wholesale outlets had been converted to the Wholesale Marketer operating mode. Like LUM, Wholesale Marketer empowers and supports the associate in providing better value to customers.

ICG Propane

ICG Propane Inc., a wholly owned subsidiary, contributed $35 million to Petro-Canada's cash flow from operations in 1991, an increase of $5 million from 1990. Net earnings were $3 million, down $2 million from 1990.

Propane sales amounted to 1.2 billion litres, about the same as 1990. In Eastern Canada, sales were below 1990, largely due to the recession and warmer than normal weather. In Western Canada, growth was achieved despite the impact of the recession and the introduction of natural gas to Vancouver Island. The exclusive propane supply arrangement for Turbo service stations, together with the addition of Petro-Canada service stations to the network, contributed to this increase and has made ICG Propane the leading auto-propane retailer in Canada.

Organizational effectiveness programs initiated in 1990 had full impact in 1991; marketing and general and administrative expenses were lower than in 1990 by $3 million or 3 per cent, after absorbing inflation. The average sales volume per employee improved 3 per cent over 1990. Expenditures on property, plant and equipment of $17 million were focused on new site installations and vehicle replacements.

ICG Propane continued to research new applications for propane and develop new markets, including international opportunities. The company is also part of a consortium which is assisting in the development of propane infrastructure for two African countries.

Local Unit Management enrols all staff in improving the retail business: customer service attendants discuss their promotion ideas with dealer and LUM facilitators.

Corporate Responsibility

Dual-line systems reduce emissions during fuel deliveries at Vancouver-area outlets; the red line draws vapour back into the truck so hydrocarbons can be recovered instead of being released into the air.

Petro-Canada's commitment to corporate responsibility is in no way diminished by the year's unfavourable results. The Company views its performance and reputation as a responsible corporate citizen as a fundamental component of business and financial success.

Supporting Canadian communities

- In 1991, Petro-Canada contributed nearly $3 million to about 900 organizations through its local and national donations programs.

- Recipients included 115 United Way campaigns, health and social service organizations, educational institutions, environmental groups and arts and cultural societies.

- The Company was instrumental in creating the Alberta Ecotrust Foundation and securing donations for the fund. This is an innovative partnership of corporations and environmental groups that will fund local environmental projects in Alberta.

- Petro-Canada raised $1.9 million for the Olympic Torch Legacy Fund through retail promotions in 1991. Since 1988, $5.6 million has been contributed and 332 amateur athletes and 37 coaches have received scholarships.

Benefiting the Canadian economy

- At year end, Petro-Canada employed 6 213 Canadians directly, 1 405 in ICG Propane and another 1 906 through other subsidiaries.

- Over the year, Petro-Canada purchased goods and services from some 18 000 suppliers, pumping $1.8 billion into the Canadian economy and supporting jobs and businesses across Canada.

- Petro-Canada is (and always has been) fully taxable on the same basis as any other company. It paid $67 million in federal, provincial and municipal taxes other than income taxes in 1991, and $106 million in provincial royalties. In addition, the Company collected more than $2.3 billion in taxes for governments mainly through its sales of refined oil products.

A responsible employer

- Petro-Canada is committed to providing a healthy and safe workplace. Occupational health centres, professional staff and employee counselling programs support this commitment.

- There were 45 lost-time accidents in 1991, down from 73 in 1990. A Managed Rehabilitation Care Program introduced in 1991 has reduced costs while enabling employees who have been disabled by injury or illness to return to the workforce more quickly.

- The Company maintains a smoke-free workplace, conducts workplace safety training and demands careful adherence to job site safety standards.

- Petro-Canada operates in both official languages and implements employment equity initiatives, particularly for visible minorities, aboriginals, women and people with disabilities.

Caring for the environment

Through its actions and its contributions, Petro-Canada is working to improve environmental protection. A strengthened policy was developed this year to guide employees in protecting the environment and to clearly affirm the responsibility of senior management for effective implementation. The new policy, and some examples of initiatives to support it, are presented on the facing page.

Environmental Protection Policy

Environmental protection is a fundamental Petro-Canada value. The Corporation recognizes that every employee has a vital role to play in achieving environmental protection. Senior management will lead in the implementation of this policy. Petro-Canada's commitment will be incorporated into business activities through the following guiding principles. Petro-Canada will:

- ensure our operations comply with government legislation, corporate policy and applicable industry standards concerning the protection of the environment and the public
- determine, evaluate and mitigate the environmental impacts of our business during project planning, implementation, operation and decommissioning
- ensure that appropriate waste and emissions management programs are developed and implemented
- respond to emergencies in a prompt and effective manner
- ensure that all employees and others engaged on our behalf are aware of the need, informed of the requirements and trained to protect the environment
- use energy and other resources efficiently in our operations
- support research on the environmental effects of our products, processes and waste materials
- deal openly and fairly with members of the public regarding our activities
- support its employees, involved in legal proceedings which result from their employment, to the full extent it considers reasonable

Divisional presidents and vice-presidents are responsible for developing specific operational procedures and standards which are consistent with this policy. Petro-Canada expects its suppliers, partners and business associates to have compatible environmental procedures and values.

Corporate status reports will be presented regularly to Executive Council and the Board of Directors.

The President and Chief Operating Officer is accountable for the maintenance, regular review and interpretation of this policy.

February 1992

Petro-Canada employs environmental professionals across the Company to help achieve the policy's objectives. Their work includes a regular program of inspections, assessments and audits.

High priority is given to reducing and safely managing waste and emissions. In 1991, a pilot project at Quebec City retail outlets collected 80 000 plastic lubricants containers from customers for recycling. A cross-divisional task force completed an inventory of Petro-Canada-generated greenhouse gases and is working on recommendations for action.

The latest in a series of Company-wide environmental seminars was a video-conference, with President Jim Stanford presenting a leadership statement on the environment, health and safety. Publications for employees regularly address environmental issues.

Petro-Canada participates in research by industry associations on topics from the handling of volatile organic compounds to the treatment of contaminated soils and groundwater.

In 1991, spending on environmental protection totalled $50 million of capital expenditures and $73 million of expenses; 48 per cent was for Resources, 52 per cent was for Products. Underground tank upgrades and site clean-ups were the largest items. So far, 8 570 tanks out of a planned 9 760 have been replaced or upgraded in a multi-year program to prevent leaks. Petro-Canada systematically identifies and tracks the financial and strategic impacts of emerging environmental issues.

Petro-Canada participates in 38 local, regional and international spill cooperatives, and in 1991 completed an external audit of its oil spill response capability. Petro-Canada maintains emergency response plans for all operating facilities with regular training exercises for responders.

The Company has adopted an environment-friendly workplace program aimed at reducing waste, saving energy and increasing recycling. The environmental performance of paper suppliers was a factor in awarding the 1991 paper supply contract. A national marketing promotion featured 100-per-cent recycled garbage bags.

Community meetings are held from time to time with respect to most Company facilities; joint Petro-Canada/community committees work to resolve issues at the Lake Ontario refinery and in Northern Alberta. To communicate environmental awareness, an employee-driven "green team" in Calgary hosted tree planting and river clean-up projects during the year.

Management's Discussion and Analysis

The Company's business activities constitute two operating divisions and a corporate segment for purposes of financial reporting. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements on pages 33 to 48.

Results of Operations

Petro-Canada's results are significantly influenced by the business environment, in particular crude oil and natural gas prices and demand for natural gas and refined products.

Business Conditions in 1991

The year 1991 was one of the worst in the history of the Canadian oil and gas industry.

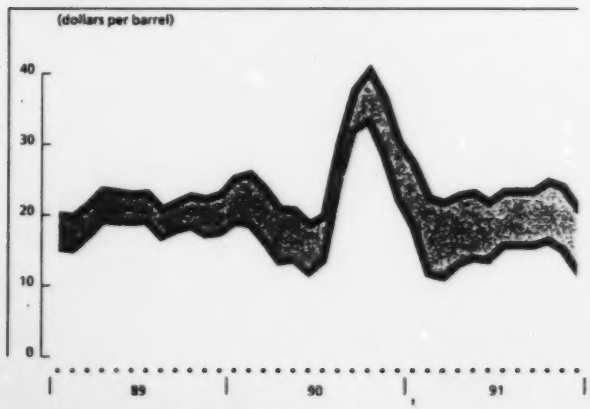
The price of crude oil on world markets, which largely determines the results of the Company's Resources division, declined rapidly following the start of the war in the Persian Gulf. Prices per barrel for the benchmark West Texas Intermediate crude oil reached a high of U.S. $32.00 immediately before the outbreak of hostilities in January and fell to U.S. $17.91 on February 22, averaging U.S. $21.52 in 1991. The differential between light and heavy crude oil prices reached a record level, averaging $8.54 per barrel, further reducing oil industry profitability.

Natural gas prices fell significantly in 1991, reflecting continuing surplus supplies in the United States and Canada. The Alberta plant-gate natural gas price averaged $1.30 per thousand cubic feet in 1991, compared to $1.60 in 1990 and $1.61 in 1989. The British Columbia wellhead gas price averaged $1.20, $1.31 and $1.32 per thousand cubic feet for the same periods. Overall, industry sales volumes of natural gas were approximately 6 per cent higher than 1990 levels.

The Canada-U.S. exchange rate continued to appreciate, further reducing the Canadian dollar price for crude oil. The exchange rate averaged 87.3 cents, its highest level since 1978.

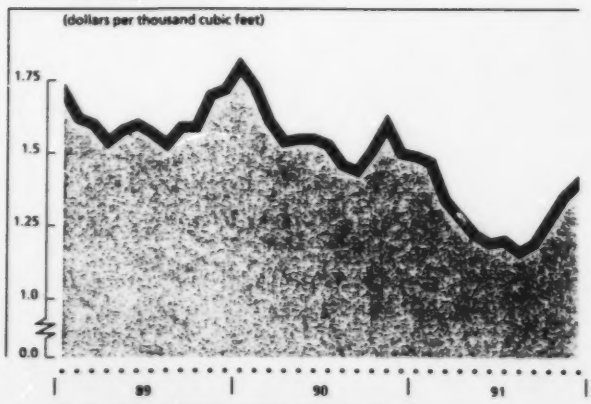
The results of the Products division are affected by demand for refined products, local market competition, crude oil and refined product prices, and refinery utilization. The sharply increased volatility of crude oil prices, combined with the traditional lag in adjusting refined product prices and the impact of significant price differentials between Canadian product and imports from the United States, led to extreme variability in industry refined product margins, particularly in the first half of 1991. While demand for refined petroleum products dropped sharply in the early 1980s, the industry experienced a gradual increase in demand from 1986 to 1989. The onset of the recession in the Canadian economy in mid-1990 depressed industry domestic sales of refined products by 6.2 per cent in 1991 on top of a reduction of 2.7 per cent in 1990, particularly affecting sales volumes in Ontario. Decreased demand has led to a fall in refinery utilization. Competition in

Light/heavy crude oil price differential



Light crude price (40° API at Edmonton)
Heavy crude price (22° API Lloydminster blend)

Natural gas prices[1]



[1]Based on industry average of Alberta plant-gate prices.
Source: Canadian Natural Gas Focus, Brent Friedenberg Associates Ltd.

the retail market has been intense, with steady growth of regional and independent marketers during the last five years and increased imports of refined products from the United States. Major environmental initiatives, resulting in new product standards, have required large capital and operating expenditures. Petro-Canada expects these environmental expenditures to continue to increase.

Outlook for 1992

The price of West Texas Intermediate crude oil is anticipated to continue in the range of U.S. $18 to $22 per barrel in 1992. Low growth in world oil consumption, reflecting slow global economic growth, combined with gradually increasing Kuwaiti production and the prospect of impending Iraqi exports, are expected to maintain downward pressure on prices. The differential between light and heavy crude prices is expected to remain high.

Natural gas prices are increasingly dependent on energy markets in the United States. In response to continuing low prices and the opening of new export outlets, such as the Iroquois pipeline to the northeastern United States, domestic and export sales are anticipated to continue expanding during 1992. However, intense competition for natural gas markets, arising from persistent oversupply, is expected to keep prices low. As U.S. demand for natural gas increases and the supply surplus dissipates, the Company anticipates that the price for Canadian natural gas will rise, although pipeline capacity constraints in the early 1990s, pending completion of proposed new pipelines, may limit deliveries to the U.S. market.

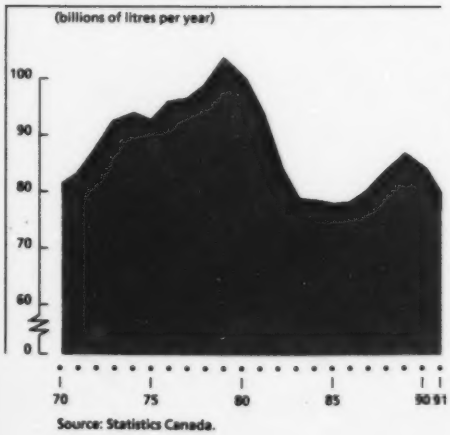
It is anticipated that increases in domestic sales of refined petroleum products will lag behind the modest economic recovery projected for 1992 and refined product sales will likely experience minimal growth. Less volatile prices should help return refined product margins, which fell sharply in 1991, to historical averages. Rationalization plans announced by Petro-Canada and other companies will likely have minimal impact on refined product margins in 1992 but should help improve the industry environment thereafter as the excess capacity in refining and marketing is reduced.

Sensitivities affecting pre-tax cash flow from operations

Factor	1991 Average	Increase	Approximate increase (decrease) in pre-tax cash flow from operations (millions of dollars)[1]
Resources division			
W.T.I. benchmark crude oil price	U.S. $21.52 per barrel	U.S. $1.00 per barrel	$23
Price received for natural gas	$1.39 per thousand cubic feet	$0.10 per thousand cubic feet	14
Production of conventional crude oil	48 500 barrels per day	1 000 barrels per day	6
Production of natural gas	524 million cubic feet per day	10 million cubic feet per day	4
Canadian dollar/U.S. dollar exchange rate	$0.87	$0.01	(6)
Products division[2]			
Average sale price of gasoline[3]	$0.28 per litre	$0.01 per litre	72
Crude oil and product purchases	$192.37 per cubic metre	$1.00 per cubic metre	(15)
Petroleum product operating margin (loss)[4]	(0.1) cents per litre	0.1 cents per litre	16

[1] The impact of a change in one factor may be compounded or offset by changes in the factors noted and in other factors. This table does not consider the impact of any interrelationship between the factors. The application of these factors may not necessarily lead to an accurate prediction of future results of operations.
[2] Impacts related to the Products division are independent of those related to the Resources division.
[3] Average sale price of gasoline does not include the Goods and Services Tax, federal excise taxes and provincial motor fuel taxes.
[4] Operating earnings before depreciation and amortization, unusual item and income taxes.

Canadian refined product demand



Source: Statistics Canada.

Consolidated Results

The Company's consolidated revenue in 1991 was $4 961 million, a decrease of 16 per cent from 1990, due in part to the removal of the Federal Sales Tax (FST), which was included in revenue prior to 1991. Before unusual items there was a consolidated loss of $143 million, a reversal from net earnings of $176 million in 1990. The consolidated net loss, after unusual items, was $598 million. The pre-tax unusual items consisted of a provision of $655 million for the Products division restructuring and reorganization, a $138 million write-down of the Company's investment in the Syncrude oil sands project and a $23 million gain on retirement of long-term debt. Reduced refined product margins due to the high-cost crude oil in inventory at the end of 1990 and intensely competitive product pricing, coupled with lower prices for crude oil and natural gas, were the principal factors contributing to the loss before unusual items. Gains from asset disposals amounted to $8 million in 1991, compared to $29 million in 1990.

Petro-Canada has announced a plan to rationalize its Products division operations across Canada to improve future profitability. As a result, the Company wrote down, in the fourth quarter of 1991, the book value of certain refining and marketing assets and has provided for expenses to be incurred in connection with the rationalization. In the aggregate, the provision totalled $655 million before tax and $379 million after tax.

The rationalization plan was based on a comprehensive analysis of projected business conditions and the Company's competitive position. The severe drop in refined products demand, particularly in 1991, has increased excess refining capacity in all regions of Canada and reduced throughputs and revenues in wholesale and retail marketing facilities. Accordingly, the Company plans to mothball and convert its Port Moody refinery in British Columbia to a products receipt and handling facility and to take out of operation the fuel products units at its Lake Ontario Mississauga plant. These measures will reduce the Company's daily refining capacity by 12 500 cubic metres. In addition, Petro-Canada is pursuing the sale or possible joint venture of its Montreal refining operations. The Company is also embarking on a country-wide program of rationalizing its marketing assets, which when completed will result in the closure or divestment of more than one-third of its marketing network of 3 150 retail and 338 wholesale outlets.

In October, the Company signed a letter of intent to sell a 5 per cent interest in the Syncrude oil sands project for $132.5 million. Based on discussions leading up to this transaction and on market conditions, Petro-Canada wrote down the carrying amount of its interest in the Syncrude project by $138 million before tax. Upon completion of the sale in late March 1992, Petro-Canada will own 12 per cent of the Syncrude project. Part of this remaining interest is for sale, although market conditions make the timing and extent of any further sale uncertain.

Petro-Canada prepaid U.S. $600 million of debt under the terms of an agreement to restructure its long-term indebtedness to Petro-Canada Limited (the former parent of the Company). This resulted in a pre-tax gain of $23 million.

The cost of crude oil and product purchases rose slightly to $2 516 million. Overall, general and administrative expenses and producing, refining and marketing costs increased by less than 1 per cent to $1 854 million, thereby retaining the savings achieved in 1990 in addition to absorbing most of the inflationary cost increases.

Exploration expenses remained virtually unchanged from 1990 levels at $113 million, while depreciation, depletion and amortization charges increased by 9 per cent to $407 million.

On January 1, 1991, the federal Goods and Services Tax (GST) replaced the Federal Sales Tax (FST). GST, which

Consolidated Financial Results

(millions of dollars)	1991	1990	1989
Revenue	4 961	5 873	5 026
Earnings (loss) from operations	(143)	176	70
Unusual items:			
Restructure and reorganization	(379)	–	(54)
Writedown of investment in Syncrude	(95)	–	–
Gain on retirement of long-term debt	19	–	–
Net earnings (loss)	(598)	176	16
Net loss per common share (dollars)	3.08	–	–
Cash flow from operations	292	621	452
Cash flow from operations per common share (dollars)	1.50	–	–
Return on capital employed (per cent)	(8.5)	5.9	2.6
Cash flow return on capital employed (per cent)	7.3	13.6	10.4

is imposed at the point of sale, is excluded from the Company's revenue and expenses, while FST was included in both. This change accounted for a $363 million reduction in taxes other than income taxes in 1991 compared to the previous year. As FST was also included in operating revenue during 1990, this change had no impact on net earnings in 1991. See Note 5 to the Consolidated Financial Statements.

Interest expense decreased $75 million in 1991 over 1990 due to a net decrease in total debt of $593 million, resulting primarily from the application of proceeds from the Company's Initial Public Offering of common shares, and lower interest rates.

As a result of the loss in 1991, there was a provision for recovery of income taxes of $371 million, compared to an income tax provision of $163 million in 1990.

The Company's 1990 revenue on a consolidated basis rose 17 per cent from 1989 to $5 873 million, reflecting higher sales prices and the inclusion, for the first time, of revenues of ICG Propane. High prices were offset in part by lower sales of refined products, crude oil and natural gas. Consolidated net earnings were $176 million, compared to $16 million in 1989 after an unusual charge of $92 million ($54 million after-tax) relating to a reorganization and staff reduction program. Included in net earnings were $29 million in gains on disposals of assets, up from $25 million in the previous year.

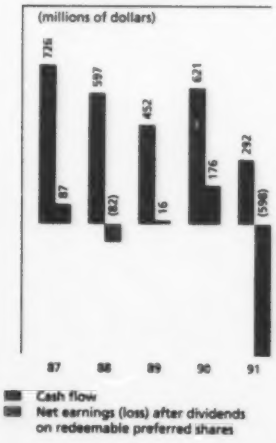
Earnings from the Resources division more than doubled, primarily as a result of the highest average crude oil price since 1985. The resulting increase in supply costs to the Products division was recovered through higher product prices. However, a significant portion of the high-cost supply was held in inventory at year end. Improved margins were the main contributor to the increase in Products division earnings. The cost of crude oil and product purchases rose 27 per cent or $524 million, primarily as a result of higher crude oil costs and the inclusion of ICG Propane's cost of sales of $210 million.

During 1990, Petro-Canada realized substantial savings in overhead and operating expenses. These savings were attributable to the 1989 internal reorganization and staff reduction program. Offsetting these savings were marketing and general and administrative expenses of ICG Propane, included for the first time, totalling $109 million and increases in costs, due largely to inflation. Costs associated with a high number of maintenance shutdowns at the Company's major refineries, unplanned repairs and higher fuel costs overshadowed decreases in other refining and producing expenses. A drop in depreciation, depletion and amortization charges more than offset higher exploration expenses. Federal sales and other taxes rose, mainly due to higher rates of tax on gasoline and higher refined product prices.

Interest expense was up $56 million in 1990 over 1989 due to higher interest rates and a net increase in total debt of $294 million, resulting from the acquisition of ICG Propane and the financing of other investment activities.

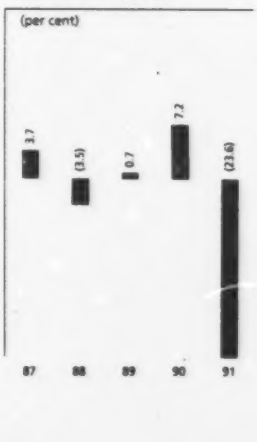
Income taxes rose $114 million in 1990 as a result of the $274 million increase in pre-tax earnings. The effective rate of income taxes dropped to 48.1 per cent from 75.4 per cent in 1989, reflecting the proportionately larger impact of non-deductible expenses included in 1989 pre-tax earnings. During 1990, the Company recorded a prior period adjustment as a result of income tax reassessments and related interest applicable to 1983 and proposed reassessments for other years prior to 1990. The cumulative effect of this charge to prior years was $173 million.

Cash flow and net earnings



Return on capital employed

Return on equity



Resources Division

Revenue from the Resources division was $1 069 million in 1991, a decrease of 19 per cent from 1990. Earnings before an unusual item were $31 million in 1991, compared with $199 million in 1990. After the Syncrude writedown, the net loss for 1991 was $64 million. In 1991, gains on asset disposals were nil, while in 1990 they amounted to $33 million.

The most significant factors leading to the decrease in net earnings were the lower prices received by the Company for crude oil and natural gas. While prices for West Texas Intermediate crude oil fell by 12 per cent, the Company's average sale price for crude oil and field natural gas liquids fell by 20 per cent to $19.21 per barrel. This was primarily due to the widening gap between light and heavy crude oil prices. Natural gas prices received by the Company fell by 9 per cent to $1.39 per thousand cubic feet, reflecting lower industry prices.

Lower crude oil prices and production volumes, together with a stronger Canadian/U.S. dollar exchange rate, were mainly responsible for the revenue decrease of $245 million. Revenue from natural gas sales declined slightly to $219 million. The effect of lower natural gas prices was partially offset by a 5 per cent increase in natural gas production. Revenue from natural gas liquids marketing, extraction plants and other operations declined by $47 million to $229 million, mainly as a result of lower prices and lower volumes caused by turbine failures at the Company's Empress natural gas liquids extraction plant.

Expenses in the Resources division included the cost of sales associated with natural gas liquids marketing and extraction plant operations, which fell $31 million, driven by lower prices on purchases of natural gas liquids and natural gas feedstock. Producing and general and administrative expenses increased by $26 million, primarily due to higher costs associated with maintaining production from mature fields and increased maintenance expenses related to the turbine failures at Empress.

The increase in depreciation, depletion and amortization charges amounting to $25 million was largely due to a change in the basis of measurement of reserves to comply with U.S. Securities and Exchange Commission requirements.

Income taxes for the Resources division were $28 million, net of a recovery of $43 million related to the Syncrude writedown, compared to $175 million in 1990.

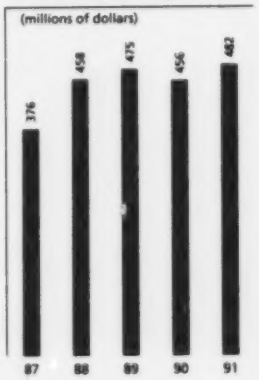
Revenue in the Resources division was $1 314 million in 1990, an increase of 14 per cent from 1989. Net earnings increased from $84 million to $199 million. This improvement was due to a number of factors. Average sale prices for crude oil, bitumen and field natural gas liquids increased 24 per cent over 1989. Volumes dropped 6 per cent, largely as a result of naturally declining production and the sale of producing properties. Gains on asset disposals contributed $33 million, up from $23 million in 1989.

Higher crude oil prices, partially offset by lower production volumes and a stronger Canadian/U.S. dollar exchange rate, contributed $109 million to the revenue increase. Revenue from natural gas sales declined by $25 million, mainly because of a drop in production volumes of 13 per cent. This drop was caused primarily by price-related provincial export restrictions on British Columbia production and final delivery in 1989 of take or pay volumes under a major pipeline contract. Natural reservoir declines and reduced volumes taken by the pipeline companies were also factors. Sale prices for natural gas, averaging $1.53 per thousand cubic feet, were up slightly over 1989. Revenue from natural gas liquids marketing, extraction plants and other operations improved by $59 million, mainly as a result of higher prices.

Resources division results
(millions of dollars)

	1991	1990	1989
Revenue including inter-segment sales	1 069	1 314	1 151
Earnings from operations	31	199	84
Writedown of investment in Syncrude	(95)	–	–
Net earnings (loss)	(64)	199	84
Cash flow from operations	303	480	374
Return on capital employed (per cent)	(2.7)	8.0	3.3
Cash flow return on capital employed (per cent)	12.8	19.3	14.7

Resources division producing and general and administrative expenses



Expenses in the Resources division included the cost of sales associated with natural gas liquids marketing and extraction plant operations, which rose $29 million, driven by higher prices on purchases of natural gas liquids. Producing and general and administrative expenses decreased by $19 million, primarily the result of programs to control and reduce costs.

The reduction in depreciation, depletion and amortization charges amounting to $57 million was attributable to lower upstream production in 1990 and certain oil and gas property writedowns recorded in 1989. Somewhat higher exploration expenses were incurred in 1990 due to increased drilling, geophysical and geological expenses.

Income taxes for the Resources division rose $82 million to a total of $175 million on increased pre-tax earnings of $374 million, up from pre-tax earnings of $177 million in 1989. Resources division income taxes were provided at an effective rate of 46.8 per cent, compared to 52.5 per cent in 1989, as non-deductible items had a proportionately smaller impact on taxable earnings in 1990.

Products Division

Revenue from the Products division in 1991 was $4 193 million, compared to $4 948 in 1990. Excluding an unusual item, there was a loss of $109 million in 1991, compared to net earnings of $125 million in 1990. After providing for restructuring and reorganization charges, the division's net loss for the year was $488 million.

The pre-tax operating loss was 0.1 cents per litre, compared to a profit of 2.4 cents per litre in 1990. The principal factor contributing to the loss in 1991 was the Company's inability to recover the high cost of crude oil in inventory at the end of 1990. While the division's revenue fell by almost $400 million to $4.2 billion, after adjustment for the removal of the Federal Sales Tax, crude oil and product purchase costs were virtually unchanged at $2.5 billion. Factors contributing to this were increased competition, due to reduced demand for refined products resulting from the recession in the Canadian economy, and competition from imported products.

Petro-Canada uses the "first-in, first-out" or "FIFO" method of inventory valuation to determine the cost of finished product sales and to draw down crude oil inventory. Since most of the Company's crude oil is supplied from Western Canada and sold in central Canadian markets, there is a 60 to 90 day delay before purchased crude oil is sold as refined product. In contrast, U.S. refiners follow the "last-in, first-out" or "LIFO" method of inventory valuation, which permits refined product prices to reflect replacement costs without the delay prevalent in the Canadian market. With an open border permitting access on both sides to refined products at the wholesale level, these contrasting methods of inventory costing have an impact on Canadian product pricing.

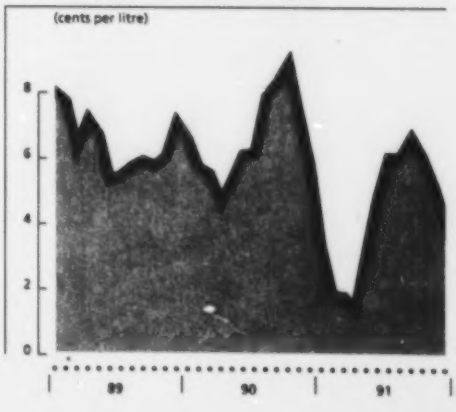
A large proportion of the crude oil refined and sold by Petro-Canada in the first half of 1991 was purchased when crude oil prices were significantly higher in the days and months preceding the outbreak of the Gulf War. Inventory levels at the beginning of the year were also higher than usual, to hedge against possible supply disruptions and further price increases at the approach of the Gulf War. Lower product demand, due in part to the recession, resulted in high-cost inventory being drawn down more slowly than anticipated. Intense competition, particularly from less costly imported products in 1991, prevented any substantial restoration of refined product margins.

Refining and marketing and general and administrative expenses fell by $19 million in 1991 to $1 265 million. Depreciation and amortization charges were up $7 million to $162 million.

Products division results

(millions of dollars)	1991	1990	1989
Revenue including inter-segment sales	4 193	4 948	4 442
Earnings (loss) from operations	(109)	125	105
Restructure and reorganization	(379)	–	–
Net earnings (loss)	(488)	125	105
Cash flow from operations	15	258	237
Return on capital employed (per cent)	(18.9)	4.3	3.8
Cash flow return on capital employed (per cent)	0.6	8.8	8.6

Products division gross margins



Taxes other than income taxes were down $365 million, primarily as a result of the replacement of FST with GST. Provision for the recovery of income taxes in 1991 amounted to $344 million, compared to an income tax provision of $95 million in 1990. Income taxes were provided at the rate of 41.3 per cent, down from 43.2 per cent in 1990.

Revenue from the Products division was $4 948 million in 1990, up 11 per cent from 1989, due to crude oil cost-driven price increases of 16 per cent, partially countered by a decline in sales volumes of approximately 4 per cent. Most of the decline in volume resulted from the recession in the Canadian economy. A contributing factor was the closure of marginal facilities.

Operating earnings increased 14 per cent to 2.4 cents per litre from 2.1 cents per litre in 1989. This increase was primarily due to the low cost of crude oil in inventory prior to Iraq's invasion of Kuwait and substantial savings in overhead and operating expenses as a result of the internal reorganization program. Net earnings were $125 million, 19 per cent higher than in 1989.

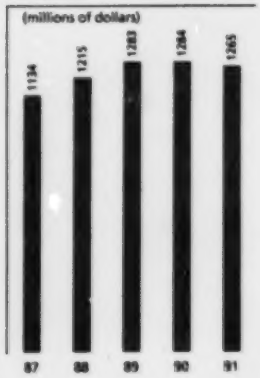
Crude oil and product purchase costs were up 18 per cent in 1990 to $2 880 million. Refining and marketing costs increased by $33 million, primarily due to a high number of refinery shutdowns during 1990 for maintenance and repair and higher fuel costs. These cost increases were offset by savings of $32 million in general and administrative expenses related to rationalization and efficiency measures. Federal sales and other taxes were up $38 million as a result of higher rates of tax on gasoline and higher product prices. Depreciation and amortization charges increased slightly. Income taxes for the Products division rose $6 million to a total of $95 million on increased pre-tax earnings of $220 million. Income taxes were provided at a rate of 43.2 per cent, down from 45.9 per cent in 1989.

Corporate and Other

Revenue from Corporate and Other activities, including ICG Propane, totalled $382 million in 1991, a decrease of 12 per cent from 1990. The loss for the segment, before the gain on retirement of long-term debt, was $65 million, compared to a net loss of $148 million in 1990.

Net earnings from ICG Propane were $3 million in 1991, compared with $5 million a year earlier. Cash flow from operations was $35 million, up $5 million from 1990.

Products division refining and marketing and general and administrative expenses



The improvement in 1991 over 1990 arose mainly from a $75 million reduction in interest expense and from the reduced deferral of inter-segment profits on crude oil produced by Petro-Canada and included in year-end inventory, as a result of the lower crude oil prices in the fourth quarter of 1991 compared to the fourth quarter of 1990.

Corporate and Other revenue rose by $360 million to $433 million in 1990 over 1989 with the acquisition of ICG Propane. The segment net loss decreased by $25 million to $148 million.

Net earnings from ICG Propane were $5 million after amortization of the non-tax-deductible premium over book value of net assets acquired.

The reduced net loss in 1990 arose from a $92 million saving linked to the non-recurrence of the 1989 unusual charge associated with the internal reorganization program. This saving was offset by an increase in interest expense of $56 million due to higher interest rates and an increase in average debt levels. The pre-tax segment loss, excluding ICG Propane, was $41 million lower, resulting in a reduction in recovery of income taxes of $21 million.

Accounting Changes

Effective January 1, 1991, the Company retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants on future removal and site restoration costs. This change did not have a significant impact on 1991 net earnings. Retained earnings as at January 1, 1991, were reduced by $89 million and the prior years' financial statements were restated. See Note 3 to the Consolidated Financial Statements.

Recent Developments

On February 4, 1992, one of the other joint venture participants announced it would withdraw from the Hibernia project. The remaining participants are pursuing alternatives to deal with the consequences of this withdrawal.

On February 7, 1992, Petro-Canada announced it has signed a letter of intent to sell its 50 per cent ownership in the Wolf Lake oil sands project. The Company had previously written down the carrying value of its assets at Wolf Lake and the sale is not expected to have any negative impact on either cash flow or earnings in 1992.

Corporate and Other results
(millions of dollars)

	ICG Propane			Corporate			Total		
	1991	1990	1989	1991	1990	1989	1991	1990	1989
Revenue	328	362	–	54	71	73	382	433	73
Earnings (loss) from operations	3	5	–	(68)	(153)	(119)	(65)	(148)	(119)
Unusual items:									
Gain on retirement of long-term debt	–	–	–	19	–	–	19	–	–
Restructure and reorganization	–	–	–	–	–	(54)	–	–	(54)
Net earnings (loss)	3	5	–	(49)	(153)	(173)	(46)	(148)	(173)
Cash flow from (used in) operations	35	30	–	(61)	(147)	(159)	(26)	(117)	(159)

Liquidity and Capital Resources

Operating Activities

Petro-Canada has relied principally upon cash from operating activities, supplemented by short-term and long-term debt financing, to fund its cash requirements. Short-term debt is used to fund working capital requirements and to provide bridge financing. As a Crown corporation, Petro-Canada did not access public equity markets to raise capital for its activities prior to July 3, 1991.

Cash flow from operations in 1991 was $292 million, a decrease of 53 per cent compared to 1990, resulting primarily from lower earnings. Cash flow from operations was $621 million in 1990, representing an increase of 37 per cent over 1989, due largely to higher earnings.

Petro-Canada's operating working capital decreased $108 million in 1991, after current accruals of $58 million relating to unusual items, to $473 million. Significant decreases in accounts receivable and inventories due to the drop in the price of crude oil in 1991 were partially offset by decreases in accounts payable and income taxes payable. Cash generated from operating activities increased to $382 million, an increase of $88 million from 1990, because of the decrease in operating working capital compared with the increase in 1990, offset by lower cash flow from operations.

Petro-Canada's operating working capital increased by $307 million in 1990 to $639 million, due in part to the effects of significantly higher oil prices on the carrying value of crude oil and the refined product inventories, accounts receivable and accounts payable. Other factors included a year-over-year reduction in income taxes payable and in advances owing to the former parent company. The increase in operating working capital would have been higher except for the sale of $212 million of accounts receivable to a third party. Because of the increase in operating working capital requirements, cash generated from operating activities fell to $294 million in 1990, a drop of $110 million from 1989.

Investing Activities

Investing activities in 1991 totalled $300 million, compared to $689 million in 1990 and $392 million in 1989. Expenditures in 1990 included $235 million for the acquisition of ICG Propane Inc.

Expenditures on property, plant and equipment and exploration totalled $652 million in 1991, up $9 million over 1990. The Resources division accounted for 52 per cent of the outlay in 1991, compared to 61 per cent in 1990 and 59 per cent in 1989. Expenditures for the Products division and Corporate and Other accounted for 48 per cent in 1991, 39 per cent in 1990 and 41 per cent in 1989.

Consistent with the Company's strategy, direct capital and exploration expenditures in the Resources division during the past three years have focused on exploration and development in the western Canadian provinces, international exploration and the Hibernia offshore project.

Products division expenditures on refining property, plant and equipment have concentrated in recent years on reliability, environmental and safety programs, as well as refinery enhancement and upgrades necessary to meet octane requirements, including the

Summary of changes in financial position
(millions of dollars)

	1991	1990	1989
Operating activities			
Cash flow from operations	292	621	452
Decrease in advances on future natural gas deliveries	(18)	(20)	(26)
Decrease (increase) in operating working capital	108	(307)	(22)
	382	294	404
Investing activities	(300)	(689)	(392)
Financing activities and dividends	(130)	404	(69)
(Decrease) increase in cash	(48)	9	(57)

phase-out of leaded gasolines. Marketing-related expenditures primarily reflect the ongoing upgrading of wholesale and retail sites and underground tank replacement. During the past two years, expenditures also included the Company's share of costs incurred by Alberta Envirofuels Inc. in the construction of a $390 million MTBE (methyl tertiary butyl ether) plant in Edmonton. Capital expenditures related to ICG Propane are included in Corporate and Other commencing in 1990.

Proceeds from the sale of property, plant and equipment generated $311 million in 1991, $256 million in 1990 and $118 million in 1989. These were made as part of the Company's ongoing asset rationalization program. Proceeds were realized in 1991 from sales of oil and gas properties as well as the sale of the Company's 50 per cent interest in Alberta Envirofuels Inc.'s MTBE plant.

The change in investment and other assets in 1991 was a decrease of $41 million after taking into account $60 million of advances to Petro-Canada Centre which were repaid to the Company. Increases in investments and other assets totalled $67 million in 1990, as the Company subscribed for additional treasury shares issued by Westcoast Energy Inc. on a pro-rata basis to maintain its equity position of 37 per cent. In 1989, Petro-Canada received partial repayment of advances to Petro-Canada Centre. It also purchased additional shares in Westcoast and made additional pension funding. The net result was the generation of $58 million.

Petro-Canada anticipates that, subject to business conditions, expenditures on property, plant and equipment and exploration will be approximately $470 million in 1992. This represents a decrease of $182 million over similar expenditures incurred in 1991.

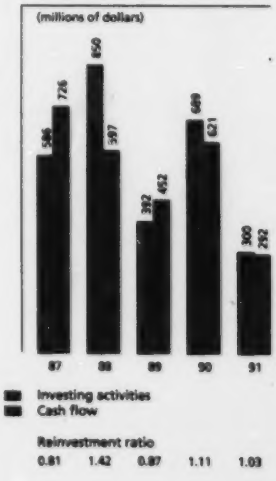
Petro-Canada has announced that it would be willing to sell a minority percentage of its interest in Hibernia. If the Company were to retain its current interest in Hibernia, 1992 expenditures related to that interest, net of government grants, would be in the order of $190 million. However, due to the construction slowdown announced in February 1992, actual expenditures are likely to be lower. Petro-Canada's total share of Hibernia preproduction expenditures is expected to be approximately $1 billion, net of government grants and before borrowings supported by government guarantees.

Capital and exploration expenditures
(millions of dollars)

	1991	1990	1989
Resources			
Exploration[1]	138	149	148
Development	145	109	109
Oil sands and other	58	135	77
	341	393	334
Products			
Refining	81	89	115
Marketing and other	110	73	94
MTBE plant	96	59	–
	287	221	209
Corporate and Other			
ICG Propane	17	16	–
Corporate	7	13	25
	24	29	25
Total property, plant and equipment and exploration expenditures	652	643	568
Investments	(70)	50	(76)
Other assets	29	17	18
Acquisitions	–	235	–
Total	611	945	510

[1] Includes exploration expenses of $113 million in 1991, $111 million in 1990 and $98 million in 1989.

Investing activities and cash flow



Financing Activities and Dividends

In the past, most of the Company's debt was borrowed from Petro-Canada Limited on terms which mirrored the terms of debt incurred by Petro-Canada Limited in various public markets. Petro-Canada Limited is an agent of Canada and as such its borrowings are obligations of Canada. Petro-Canada Limited was therefore able to borrow at, and pass on to the Company the benefit of, interest rates which were lower than the rates at which the Company would have been able to borrow on its own. The Company no longer enjoys this benefit.

The Company's combined short-term and long-term debt level at December 31, 1991, was $1 649 million, compared to $2 242 million at the end of 1990 and $1 948 million at the end of 1989. The decrease in 1991 over 1990 was primarily due to the application of proceeds from the Company's Initial Public Offering of common shares. The increase in 1990 over 1989 consisted of new long-term debt of $348 million, partially offset by repayments and the retirement of three outstanding debt issues amounting to $51 million.

The Company, Petro-Canada Limited and the Government of Canada have entered into an agreement which requires the Company to prepay U.S. $1.2 billion of long-term debt at market value over a 42-month period and to pay a credit enhancement fee on the portion of this debt not yet refinanced. In October 1991, the Company issued U.S. $600 million of long-term debt, consisting of U.S. $300 million of 8.60 per cent, 10-year notes and U.S. $300 million of 9.25 per cent, 30-year debentures. The net proceeds from this issue were used to repay a portion of the long-term debt owing to Petro-Canada Limited.

The agreement between the Company, Petro-Canada Limited and the Government of Canada also requires the Company to pay a guarantee fee on the outstanding U.S. $125 million of medium-term floating rate debt.

The Company provides support for $290 million of medium-term fixed rate debt and bank financing in connection with the financing for Petro-Canada Centre. The repayment of $225 million of this amount is guaranteed by Petro-Canada Limited, for which a guarantee fee is paid.

The Company's debt to debt plus equity ratio has remained relatively stable at approximately 46 per cent over the three years prior to the Company's Initial Public Offering. At year-end, the debt to debt plus equity ratio was approximately 40 per cent, reflecting the application of the Initial Public Offering proceeds to debt. Other financing obligations at December 31, 1991, consisted of the above-mentioned indemnities with respect to debt related to Petro-Canada Centre and the Company's agreement to sell, with limited recourse, accounts receivable on a revolving basis. As at December 31, 1991, and December 31, 1990, accounts receivable of $212 million have been sold pursuant to this agreement, resulting in 1990 cash proceeds of $200 million.

Working capital and bridge financing requirements will continue to be met through the issuance of short-term debt. Petro-Canada intends to fund its short-term requirements through a $750 million commercial paper program. However, the Company does not intend to issue securities in excess of $500 million. This program is supported by standby credit facilities totalling a maximum of $750 million with four Canadian financial institutions. As of December 31, 1991, $118 million of commercial paper was outstanding under the program. In addition, operating credit facilities of $575 million are available, under which letters of credit for a nominal amount are currently outstanding.

Petro-Canada intends to fund capital and exploration expenditures by cash flow from operations and asset sales. Financing flexibility may be provided by reductions in discretionary

Proceeds from sale of property, plant and equipment

(millions of dollars)	1991	1990	1989
Resources	115	211	97
Products	194	36	21
Corporate and Other	2	9	–
Total	311	256	118

Consolidated capitalization

(millions of dollars)	1991	1990	1989
Short-term debt	118	705	710
Long-term debt	1 531	1 537	1 238
Deferred credits and deferred income taxes	1 023	1 308	1 313
Shareholders' equity	2 493	2 582	2 293
Total	5 165	6 132	5 554

capital expenditures, delayed short-term debt reductions or additional asset sales if cash flow from operations is lower than expected.

On July 3, 1991, the Company received net proceeds of approximately $507 million, before related income tax effects, from the sale of 42 004 784 common shares in its Initial Public Offering. The Company issued common shares to Petro-Canada Limited in 1991 for proceeds of $31 million and in 1990 for proceeds of $158 million. Dividends paid on common shares were $45 million in each of 1991, 1990 and 1989. The 1991 dividends included two quarterly dividends of 3.25 cents per share (totalling $14 million), which were paid after the Initial Public Offering.

The Company has entered into an agreement with the Government of Canada with respect to future sales of common shares held by the Government of Canada. Until July 3, 1994, or until the Government of Canada's holdings fall below 50 per cent of outstanding common shares, whichever is sooner, the Government of Canada must approve any issue of treasury shares by the Company.

Risk Management Strategies

Petro-Canada employs risk management strategies to deal with volatility in interest rates, exchange rates and commodity prices and to manage physical property and credit risk.

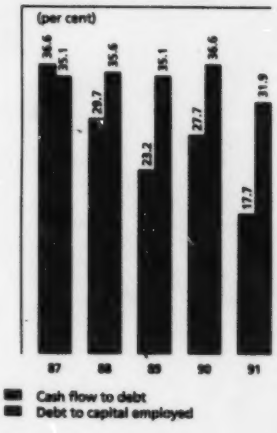
The Company attempts to mitigate financial risks through the ongoing balancing of its fixed/floating rate debt to minimize the impact of interest-rate fluctuations. Petro-Canada also diversifies its sources of funds and maintains an evenly distributed spectrum of long-term debt maturities while controlling the overall levels of borrowing.

As crude oil is priced in U.S. dollars, a significant portion of Petro-Canada's revenue is affected by fluctuations in the Canadian/U.S. exchange rate. Long-term borrowing requirements are funded primarily in U.S. dollars, providing a partial hedge against such currency fluctuations. The Company continually monitors its foreign currency requirements and applies hedging strategies to mitigate the risk of loss due to currency fluctuations. Borrowing in the United States has the potential to access a larger and at times less expensive debt market than is available in Canada.

Petro-Canada hedges against adverse crude oil price movements through a program of trading in commodity futures markets. The Company has sold call options for approximately 10 million barrels of its 1992 crude oil production at U.S. $22 per barrel.

Financial ratios	1991	1990	1989
Current ratio (times)	1.3	1.0	0.8
Interest coverage (times)			
– earnings basis	(3.6)	2.2	1.3
– cash flow basis	2.3	3.7	3.3
Debt to debt plus equity (per cent)	39.8	46.5	45.9

Debt to capital employed and cash flow to debt



Glossary of Financial Terms and Ratios

Terms

Cash flow
Cash flow from operations[1].

Capital employed
Total assets less current liabilities excluding short-term notes payable and the current portion of long-term debt.

Debt
Short-term notes payable and long-term debt including current portion[2].

Ratios

Current ratio
Current assets divided by current liabilities. Reflects the Company's short-term liquidity and its ability to pay short-term trade debts.

Cash flow to debt
Cash flow divided by debt. Indicates the Company's ability to discharge its outstanding debt.

Debt to debt plus equity
Debt divided by debt plus equity[3]. Shows the relative amount of debt in the Company's capital structure. Measures financial strength.

Debt to capital employed
Debt divided by capital employed. Measures the extent to which the Company's asset base has been financed by debt.

Interest coverage
Earnings basis: Earnings[4] before interest expense and provision for income taxes divided by interest expense plus capitalized interest[5].
Cash flow basis: Cash flow[4] before interest expense and current income taxes divided by interest expense plus capitalized interest[5].
Both are indicators of the Company's ability to service its debt.

Reinvestment ratio
Net expenditures on investing activities divided by cash flow. Indicates the rate at which cash flow is reinvested.

Cash flow return on capital employed
Cash flow[4] plus after-tax interest expense divided by average capital employed. Measures cash flow generated relative to the asset base.

Return on capital employed
Net earnings[4] plus after-tax interest expense divided by average capital employed. Measures earnings generated relative to the asset base.

Return on equity
Net earnings divided by average shareholders' equity[3].
Measures the return earned by shareholders on their investment in the Company.

[1] Prior to 1989 – deduct dividends on redeemable preferred shares.
[2] Prior to 1988 – add redeemable preferred shares valued at year-end Cdn./U.S. dollar exchange rates.
[3] Prior to 1988 – reduce shareholders' equity by the valuation adjustment on redeemable preferred shares at year-end Cdn./U.S. dollar exchange rates.
[4] Prior to 1989 – add back dividends on redeemable preferred shares.
[5] Prior to 1989 – add back dividends on redeemable preferred shares grossed up by 1/(1-tax rate).

Management's Responsibility for the Financial Statements

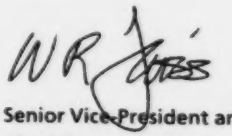
The preparation and presentation of the Company's consolidated financial statements is the responsibility of management. The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include some estimates which are based on management's best judgements. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

Management is also responsible for installing and maintaining a system of internal control to provide reasonable assurance that assets are safeguarded and that reliable financial information is produced for preparation of financial statements. The Company's Internal Audit department reviews the system of internal control to ensure that it is adequate and functioning properly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises these responsibilities with the assistance of the Audit Committee of the Board.

The external auditors conduct an independent examination and express their opinion on the consolidated financial statements. The Auditors' Report outlines the external auditors' opinion and the scope of their examination.

Chairman and
Chief Executive Officer



Senior Vice-President and
Chief Financial Officer

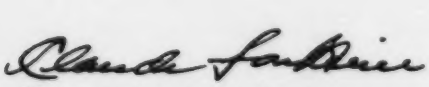
Audit Committee of the Board of Directors

The Board of Directors exercises its responsibilities for ensuring that management fulfills its responsibilities for financial reporting and internal control with the assistance of the Audit Committee of the Board. The Committee, which is composed of not less than three (currently four) directors who are not employees of the Company, reviews the annual consolidated financial statements and recommends their approval to the Board. The Committee also reviews and approves financial information contained in prospectuses and in reports filed with regulatory authorities, as required, and reviews quarterly financial information before release.

With respect to the external auditors, the Committee reviews the terms of engagement, the annual audit plan, the Auditors' Report, the results of the external audit and any significant recommendations to strengthen internal controls. The Committee also recommends to the Board a firm of external auditors to be appointed by the shareholders.

With respect to the internal auditor, the Committee receives periodic reports on internal audit activities, reviews significant findings and recommendations and approves the annual internal audit plan.

Senior management and the internal auditor and the external auditors attend all Audit Committee meetings and are provided the opportunity to meet privately with the Committee.



Chairman of the Audit Committee

Auditors' Report

To the Shareholders of Petro-Canada:

We have audited the consolidated balance sheet of Petro-Canada as at December 31, 1991 and 1990 and the consolidated statements of earnings, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1991 in accordance with generally accepted accounting principles.

Calgary, Alberta
February 19, 1992

Chartered Accountants

Consolidated Statement of Earnings

For the years ended December 31,
(stated in millions of dollars)

	1991	1990	1989
		(Restated) (Note 3)	
Revenue			
Operating (Note 5)	$ 4 806	$ 5 680	$ 4 852
Investment and other income	155	193	174
	4 961	5 873	5 026
Expenses			
Crude oil and product purchases	2 516	2 501	1 977
Producing, refining and marketing	1 554	1 518	1 413
General and administrative	300	324	379
Exploration	113	111	98
Depreciation, depletion and amortization	407	373	396
Taxes other than income taxes (Note 5)	67	429	384
Interest on long-term debt	134	137	101
Other interest	69	141	121
	5 160	5 534	4 869
Unusual Items (Note 6)	(770)	–	(92)
Earnings (Loss) before Income Taxes	(969)	339	65
Provision for (Recovery of) Income Taxes (Note 7)			
Current	(9)	130	52
Deferred	(362)	33	(3)
	(371)	163	49
Net Earnings (Loss) (Note 8)	$ (598)	$ 176	$ 16

Consolidated Statement of Retained Earnings

For the years ended December 31,
(stated in millions of dollars)

	1991	1990	1989
		(Restated) (Note 3)	
Retained Earnings (Deficit) at Beginning of Year, as previously reported	$ 98	$ (173)	$ (1 135)
Retroactive application of change in accounting policy (Note 3)	(89)	(84)	(80)
Retained Earnings (Deficit) at Beginning of Year, as restated	9	(257)	(1 215)
Transfer from contributed surplus (Note 18)	–	135	987
Net earnings (loss)	(598)	176	16
Dividends on common shares	(45)	(45)	(45)
Retained Earnings (Deficit) at End of Year	$ (634)	$ 9	$ (257)

Consolidated Statement of Changes in Financial Position

For the years ended December 31,
(stated in millions of dollars)

	1991	1990 (Restated) (Note 3)	1989
Operating Activities			
Net earnings (loss)	$ (598)	$ 176	$ 16
Items not affecting cash flow from operations (Note 9)	777	334	338
Exploration expenses	113	111	98
Cash flow from operations	292	621	452
Decrease in advances on future natural gas deliveries	(18)	(20)	(26)
Decrease (increase) in operating working capital (Note 10)	108	(307)	(22)
	382	294	404
Investing Activities			
Acquisition of ICG Propane Inc. (Note 4)	–	(235)	–
Expenditures on property, plant and equipment and exploration	(652)	(643)	(568)
Proceeds from sale of property, plant and equipment	311	256	118
Decrease (increase) in investments, net	70	(50)	76
Increase in other assets, net	(29)	(17)	(18)
	(300)	(689)	(392)
Financing Activities and Dividends			
Proceeds from issue of common shares	554	158	–
Proceeds from issue of long-term debt	674	347	240
Decrease in short-term notes payable, net	(587)	(5)	(258)
Dividends on common shares	(45)	(45)	(45)
Reduction of long-term debt	(726)	(51)	(6)
	(130)	404	(69)
(Decrease) Increase in Cash and Short-Term Deposits	(48)	9	(57)
Cash and Short-Term Deposits at Beginning of Year	36	27	84
Cash and Short-Term Deposits (Deficiency) at End of Year	$ (12)	$ 36	$ 27

Consolidated Balance Sheet

As at December 31,
(stated in millions of dollars)

	1991	1990 (Restated) (Note 3)
Assets		
Current Assets		
Cash and short-term deposits	$ –	$ 36
Accounts receivable (Note 11)	611	773
Income taxes recoverable	29	–
Inventories (Note 12)	657	964
Prepaid expenses	33	48
	1 330	1 821
Investments (Note 13)	453	504
Property, Plant and Equipment, net (Note 14)	4 084	4 778
Other Assets (Note 15)	167	175
	$ 6 034	$ 7 278
Liabilities and Shareholders' Equity		
Current Liabilities		
Outstanding cheques less cash and short-term deposits	$ 12	$ –
Short-term notes payable	118	705
Accounts payable and accrued liabilities	857	1 012
Income taxes payable	–	134
	987	1 851
Long-Term Debt (Note 16)	1 531	1 537
Deferred Credits (Note 17)	459	367
Deferred Income Taxes	564	941
Commitments and Contingent Liabilities (Note 22)		
Shareholders' Equity (Note 18)	2 493	2 582
	$ 6 034	$ 7 278

Approved on behalf of the Board

Director

Director

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 1: Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of Petro-Canada and of all subsidiary companies ("the Company") and comply in all material respects with Canadian generally accepted accounting principles.

The excess of the consideration paid for the shares of subsidiaries over the underlying net book values at the dates of acquisition is attributed to the related assets acquired and is amortized over the life of these assets.

(b) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of crude oil, refined products and merchandise is determined on a "first-in, first-out" basis.

(c) Investments

The Company accounts for investments in companies over which it has significant influence on the equity method. Other long-term investments are accounted for on the cost method.

(d) Property, Plant and Equipment

The Company accounts for its investment in exploration and development activities on the successful efforts method. Under this method the acquisition cost of unproved acreage is capitalized. Costs of exploratory wells are initially capitalized pending determination of proved reserves and costs of wells which are assigned proved reserves remain capitalized while costs of unsuccessful wells are charged to earnings. All other exploration costs are charged to earnings as incurred. Development costs, including the cost of all wells, are capitalized.

Substantially all of the Company's exploration and development activities are conducted jointly with others. Only the Company's proportionate interest in such activities is reflected in the financial statements.

The interest cost of debt attributable to the construction of major new facilities is capitalized during the construction period.

Overburden removal costs relating to oil sands which will be mined in future years are deferred and are charged to earnings when the related oil sands are mined.

(e) Depreciation, Depletion and Amortization

The carrying amounts of significant unproved properties are evaluated periodically for impairment with any such impairment being charged to earnings. The cost of other unproved properties is amortized over their average holding period.

Depreciation and depletion of capitalized costs of oil and gas producing properties is calculated using the unit of production method.

Depreciation of other plant and equipment is provided on either the unit of production method or the straight line method as appropriate. Straight line depreciation rates are based on the estimated service lives of the related assets.

(f) Future Removal and Site Restoration Costs

The Company provides for estimated future removal and site restoration costs using either the unit of production method or the straight line method, over estimated service lives.

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 1: Summary of Significant Accounting Policies (Continued)

(g) Income Taxes

The Company makes full provision for income taxes deferred as the result of claiming depreciation, exploration, development and other costs for income tax purposes which differ from the related amounts charged to earnings.

(h) Translation of Foreign Currency

Monetary assets and liabilities are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Other assets and related depreciation, depletion and amortization, other liabilities, revenue and other expense items are translated at rates of exchange in effect at the respective transaction dates. The resulting exchange gains or losses are included in earnings, except for unrealized exchange gains or losses arising on translation of long-term debt, which are deferred and amortized over the remaining term of the debt.

Foreign operations are integrated with the Company's other activities and are translated in the manner described above.

(i) Postemployment Benefits

In addition to its pension plans the Company provides for other postemployment benefits, including health, dental and life insurance, to its qualifying retirees. The cost of these benefits is charged to earnings when paid by the Company.

Note 2: The Petro-Canada Public Participation Act

On February 1, 1991 the Petro-Canada Public Participation Act (the "Act") received Royal Assent. The Act authorized the Company to proceed with an Initial Public Offering of shares of the Company to the public subject to restrictions on non-resident and individual share ownership of 25% and 10%, respectively.

The Act also provides that:

- the name of the Company is changed from Petro-Canada Inc. to Petro-Canada,
- the name of the former parent company is changed from Petro-Canada to Petro-Canada Limited,
- the shares of the Company held by Petro-Canada Limited are transferred to the Minister of State (Finance and Privatization),
- the Company's head office will be situated in Calgary, and
- the sale of substantially all of the assets of individual business segments is restricted.

The Company has entered into an agreement to restructure its long-term indebtedness to Petro-Canada Limited (Note 16) and has completed the Initial Public Offering of common shares (Note 18).

Note 3: Change in Accounting Policy

Effective January 1, 1991 the Company adopted, retroactively, the new recommendation of the Canadian Institute of Chartered Accountants on future removal and site restoration costs (Note 1(f)). Previously these costs were charged to earnings when paid. The effect of this change in 1991 was not material while previously reported 1990 and 1989 net earnings were reduced by $5 million and $4 million, respectively.

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 4: Acquisition of ICG Propane Inc.

In 1990 the Company completed its acquisition of ICG Propane Inc., the propane division of Inter-City Gas Corporation. This acquisition was effective January 1, 1990 and has been accounted for by the purchase method as follows:

Book value of assets acquired		$ 164
Book value of assumed liabilities		(78)
		86
Excess of attributed value over book value of acquired net assets:		
Property, plant and equipment	$ 71	
Goodwill	78	149
Total cost of acquisition		$ 235

Funds for the acquisition were provided from cash flow from operations and short-term borrowings.

Note 5: Taxes and Crown Royalties

	1991	1990	1989
Items included in the statement of earnings:			
Federal sales taxes[1]	$ –	$ 363	$ 328
Other taxes	67	66	56
	67	429	384
Provision for (recovery of) income taxes	(371)	163	49
	$ (304)	$ 592	$ 433

[1] These amounts were included in both revenue and expenses in the statement of earnings.

Items not included in the statement of earnings:			
Crown royalties, paid and paid in kind	$ 106	$ 136	$ 133
Federal excise taxes	730	731	662
Provincial fuel and sales taxes	1 036	944	892
Goods and Services Tax collected	551	–	–
	$ 2 423	$ 1 811	$ 1 687

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 6: Unusual items

	1991	1990	1989
Restructure and reorganization	$ (655)	$ –	$ (92)
Writedown of investment in Syncrude	(138)	–	–
Gain on retirement of long-term debt	23	–	–
	$ (770)	$ –	$ (92)

Restructure and reorganization

As a result of a decline in the demand for refined petroleum products and changes in the current and anticipated business conditions, the Company is restructuring its refining and marketing business. The Company has announced its intention to sell or joint venture its Montreal Refinery and to close refinery facilities located at Mississauga, Ontario, and Port Moody, British Columbia, and certain marketing facilities throughout Canada. Based on the Company's perception of market conditions as well as discussions with prospective purchasers, the carrying amount of the facilities to be sold has been written down to the estimated net realizable value of these assets. The carrying amount of the facilities to be closed has been written down and $201 million has been provided for expenses to be incurred in connection with the closures. The asset writedown and the provision for the estimated closure expenses, which in aggregate amount to $637 million, have been charged to earnings in 1991.

During 1991 the Company implemented an internal reorganization and staff reduction program. The cost of this program, in the amount of $18 million, has been charged to 1991 earnings. A similar program was implemented in 1989, resulting in a charge to 1989 earnings of $92 million.

Writedown of investment in Syncrude

The Company has announced its intention to sell a portion of its working interest in the Syncrude project. On October 17, 1991 the Company signed a letter of intent to sell a 5% interest in the project. Based on discussions leading up to this transaction, and on market conditions, the carrying amount of the net assets associated with the Company's working interest in the Syncrude project exceeds the estimated net realizable value of these assets. Accordingly, the Company has written down the carrying amount resulting in a charge to 1991 earnings of $138 million.

Gain on retirement of long-term debt

The Company prepaid U.S. $600 million of debt under the terms of an agreement to restructure its long-term indebtness to Petro-Canada Limited, a wholly owned Crown Corporation which is Petro-Canada's former parent company (Notes 2 and 16). The $23 million gain on the retirement of this debt has been included in 1991 earnings.

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 7: Income Taxes

The provision for (recovery of) income taxes of $(371) million (1990 – $163 million; 1989 – $49 million) represents an effective rate of 38.3% (1990 – 48.1%; 1989 – 75.4%) on earnings (loss) before income taxes. The computation of the provision for (recovery of) income taxes, which requires adjustment to earnings (loss) before income taxes for non-taxable and non-allowable items, is as follows:

	1991	1990	1989
Earnings (loss) before income taxes	$ (969)	$ 339	$ 65
Add (deduct)			
Royalties and other payments to provincial governments, net	111	139	137
Federal allowances			
Resource allowance	(56)	(132)	(101)
Tax depletion	–	–	(36)
Non-deductible depreciation, depletion and amortization	88	73	68
Non-deductible interest	2	17	20
Non-taxable gains	(3)	(6)	(7)
Equity in earnings of affiliates	(36)	(37)	(31)
Other	(28)	(19)	(8)
Earnings (loss) as adjusted before income taxes	$ (891)	$ 374	$ 107
Canadian Federal income tax rate	38.0%	38.0%	39.5%
Canadian Federal income tax rate applied to earnings (loss) as adjusted	$ (339)	$ 142	$ 42
Large Corporations Tax	11	10	5
Provincial and other income taxes, net of federal abatement	(37)	13	7
Provincial income tax rebates	(6)	(2)	(5)
Provision for (recovery of) income taxes	$ (371)	$ 163	$ 49

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 8: Net Loss per Common Share

The basic net loss per common share for the year ended December 31, 1991 was $3.08. Earnings per share have not been provided for prior years as Petro-Canada was a wholly owned subsidiary of a Crown corporation.

Note 9: Items not Affecting Cash Flow from Operations

	1991	1990	1989
Unusual items, net of cash (Note 6)	$ 752	$ –	$ –
Depreciation, depletion and amortization	407	373	396
Deferred income taxes	(362)	33	(3)
Gain on sale of assets	(33)	(69)	(45)
Equity earnings, net of dividends received	(5)	(9)	(6)
Other	18	6	(4)
	$ 777	$ 334	$ 338

Note 10: Decrease (Increase) in Operating Working Capital

	1991	1990	1989
Accounts receivable	$ 162	$ 35	$ (73)
Income taxes recoverable	(29)	–	–
Inventories	307	(287)	(117)
Prepaid expenses	15	(3)	(4)
Accounts payable and accrued liabilities	(155)	168	110
Income taxes payable	(134)	(63)	17
Current accruals relating to unusual items (Note 6), and other	(58)	(9)	–
Advances	–	(148)	45
	$ 108	$ (307)	$ (22)

Operating working capital is comprised of working capital other than cash and short-term deposits, outstanding cheques less cash and short-term deposits, short-term notes payable and current portion of long-term debt.

Note 11: Accounts Receivable

In 1990 the Company entered into an agreement to sell, with limited recourse, accounts receivable on a revolving basis. As at December 31, 1991 and December 31, 1990 accounts receivable of $212 million have been sold pursuant to this agreement, resulting in 1990 cash proceeds of $200 million.

Note 12: Inventories

	1991	1990
Crude oil, refined products and merchandise	$ 595	$ 907
Materials and supplies	62	57
	$ 657	$ 964

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 13: Investments

	1991	1990
At equity		
Westcoast Energy Inc.	$ 364	$ 353
Petro-Canada Centre	31	92
Other	20	28
At cost		
Loans and other investments	38	31
	$ 453	$ 504

Westcoast Energy Inc. ("Westcoast")

At December 31, 1991 the Company held approximately 37% (December 31, 1990 – 37%) of the outstanding common shares of Westcoast with a quoted market value of $435 million (December 31, 1990 – $453 million).

Petro-Canada Centre

The Company owns 50% of Petro-Canada Centre, an office complex in Calgary. The Company has entered into a long-term lease for use of a portion of the complex and, as at December 31, 1991, has provided support for a guarantee of $290 million of debt related to the facility.

Note 14: Property, Plant and Equipment

	1991			1990			1991	1990
	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Capital Expenditures	
Natural Resources								
Oil and gas								
Canada – non-frontier	$ 3 417	$ 1 987	$ 1 430	$ 3 549	$ 1 972	$ 1 577	$ 127	$ 223
– frontier	182	–	182	120	–	120	62	14
Foreign	21	6	15	18	3	15	3	5
Oil sands								
Syncrude Project	812	330	482	787	197	590	25	23
Other	218	218	–	217	217	–	1	5
Natural gas liquids	237	125	112	228	114	114	9	11
Other	78	57	21	77	56	21	1	1
	4 965	2 723	2 242	4 996	2 559	2 437	228	282
Refined Products								
Refining	1 886	1 079	807	1 838	579	1 259	81	89
Marketing and other	1 093	299	794	1 060	246	814	206	132
	2 979	1 378	1 601	2 898	825	2 073	287	221
Other property, plant and equipment	525	284	241	509	241	268	24	29
	$ 8 469	$ 4 385	$ 4 084	$ 8 403	$ 3 625	$ 4 778	$ 539	$ 532

Interest capitalized for the year ended December 31, 1991 amounted to $10 million (year ended December 31, 1990 – $2 million; year ended December 31, 1989 – $nil).

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 15: Other Assets

	1991	1990
At cost		
Oil sands overburden removal costs	$ 15	$ 47
Less portion related to oil sands to be mined within one year	7	21
	8	26
Deferred pension funding	40	32
At amortized cost		
Goodwill	64	72
Deferred financing costs	19	18
Other	36	27
	$ 167	$ 175

Note 16: Long-Term Debt

In United States dollars	Maturity	1991	1990
8.60% unsecured debentures (U.S. $300 million)[1]		$ –	$ 348
8.25% unsecured debentures (U.S. $200 million)[1]		–	232
9.70% unsecured debentures (U.S. $100 million)[1]		–	116
LIBOR less 0.8% unsecured notes (U.S. $125 million)[2]	1995	144	145
7.25% unsecured debentures (U.S. $200 million)[1]	1996	231	232
8.60% unsecured notes (U.S. $300 million)	2001	347	–
9.50% unsecured debentures (U.S. $200 million)[1]	2003	231	232
8.80% unsecured debentures (U.S. $200 million)[1]	2019[3]	231	232
9.25% unsecured debentures (U.S. $300 million)	2021	347	–
		$ 1 531	$ 1 537

[1] Due to Petro-Canada Limited (Note 2). In May 1991 the Company entered into an agreement with Petro-Canada Limited and the Government of Canada, whereby the Company will prepay to Petro-Canada Limited the outstanding long-term debt due to Petro-Canada Limited. This prepayment, based on the market value of the debt on the date of prepayment, must be made within a 42 month period which is extendable under certain circumstances. The Company is required to pay a credit enhancement fee, the amount of which depends on the Company's credit rating from time to time. Based on the Company's current credit rating, the credit enhancement fee will range from ½ of 1% to 1.5% per annum of the related outstanding debt. In addition a prepayment premium of U.S. $13 million is to be paid of which U.S. $6.5 million was paid in 1991 in relation to the Company's prepayment of U.S. $600 million of the outstanding long-term debt.

[2] Guaranteed by Petro-Canada Limited. The Company is required to pay a guarantee fee, the amount of which depends on the Company's credit rating from time to time. Based on the Company's current credit rating, the guarantee fee is ½ of 1% per annum of the outstanding debt.

[3] Redeemable, at face value, in 2004 at the option of the holder thereof.

The minimum repayment of long-term debt in the next five years is $144 million in 1995 and $231 million in 1996.

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 17: Deferred Credits

	1991	1990
Future removal and site restoration costs (Note 3)	$ 311	$ 176
Translation adjustment on long-term debt	31	100
Advances on future natural gas deliveries	31	49
Long-term liabilities	86	42
	$ 459	$ 367

Note 18: Shareholders' Equity

	1991	1990
Common shares	$ 555	$ 1
Contributed surplus	2 572	2 572
Retained earnings (deficit)	(634)	9
	$ 2 493	$ 2 582

The authorized share capital of the Company is comprised of an unlimited number of:
(a) Preferred shares issuable in series designated as Senior Preferred Shares;
(b) Preferred shares issuable in series designated as Junior Preferred Shares; and
(c) Common shares.

Changes in share capital and contributed surplus were as follows:

	1991			1990		
	Common Shares		Contributed Surplus	Common Shares		Contributed Surplus
	Shares	Amount		Shares	Amount	
Balance at beginning of year	4 405 921	$ 1	$ 2 572	4 216 011	$ 1 000	$ 1 550
Issued for cash[1]	42 042 199	554	–	189 910	158	–
Subdivision of shares	168 846 768	–	–	–	–	–
Reduction of stated capital	–	–	–	–	(1 157)	1 157
Transfer to retained earnings	–	–	–	–	–	(135)
Balance at end of year	215 294 888	$ 555	$ 2 572	4 405 921	$ 1	$ 2 572

	1989		
	Common Shares		Contributed Surplus
	Shares	Amount	
Balance at beginning of year	4 216 011	$ 1 000	$ 2 537
Transfer to retained earnings	–	–	(987)
Balance at end of year	4 216 011	$ 1 000	$ 1 550

[1] Included in the shares issued for cash during 1991 is the Company's Initial Public Offering of 42 004 784 shares for net proceeds of $523 million (Note 2).

The Company has reserved 2 083 933 common shares for an employee incentive stock option plan and for the employee share purchase plan. As at December 31, 1991 employees hold options for the purchase of 1 252 162 shares at a price of $13.00. These options vest at a rate of 20% per year beginning on July 3, 1992. All options not exercised by July 3, 2001 will be forfeit. In addition employees may become entitled to 831 771 shares, for nil consideration, under the terms of the employee share purchase plan.

In June 1991 the Company approved Articles of Amendment subdividing its outstanding shares on a 39 for 1 basis.

In October 1990 a reduction in the common share stated capital of $1 157 million and a corresponding increase in contributed surplus, together with a transfer from contributed surplus to retained earnings, were approved. The transfer from contributed surplus to retained earnings offset a deficit of $135 million.

In 1989 $987 million was transferred from contributed surplus to retained earnings to offset a deficit.

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 19: Pension Plans

The Company's plans are defined benefit plans with the benefits generally based upon years of service and average salary during the final years of employment. They are funded by the Company based upon the advice of an independent actuary. The plans' assets are held primarily in equity, fixed income and other marketable securities.

Plan Status	1991	1990
Actuarial value of assets	$ 627	$ 588
Pension obligation	582	527
Net pension asset	$ 45	$ 61

The net pension asset is amortized to earnings over the expected average remaining service life of the employees covered by the plans, which is currently 13 years.

As at December 31, 1991 $564 million (December 31, 1990 – $521 million) of the pension obligation was vested.

Pension Expense	1991	1990	1989
Current service cost	$ 23	$ 21	$ 19
Interest cost	48	42	37
Actual return on plan assets	(83)	22	(85)
Net amortization and deferral	29	(73)	49
	$ 17	$ 12	$ 20
Pension Funding	$ 28	$ 9	$ 31
Plan Assumptions			
Discount rate	9.0%	9.0%	8.5%
Long-term rate of return on plan assets	9.0%	9.0%	8.5%
Rate of compensation increase, excluding merit increases	6.0%	6.0%	6.0%

Note 20: Related Party Transactions

Transactions with the Government of Canada and its agencies, and other related parties, are in the normal course of business and are therefore on the same terms as those accorded to non-related parties.

As at December 31, 1991, officers and employees of the Company owed the Company $13 million in relation to stock purchase plans.

Note 21: Segmented Information

The Company operates in two business segments:

Natural Resources, comprising: exploration, development, production, transportation and marketing activities for crude oil, natural gas, field liquids, sulphur and oil sands; and extraction of liquids from natural gas.

Refined Products, comprising: purchase and sale of crude oil; refining crude oil into oil products; and distribution and marketing of these and other purchased products.

Financial information by business segment is presented in the following table as though each segment were a separate business entity. Inter-segment transfers of products, which are accounted for at market value, are eliminated on consolidation. Corporate and Other includes propane marketing, investment income, interest expense and unallocated general corporate revenues and expenditures. Corporate and Other assets are principally cash and short-term deposits, investments in other companies, propane marketing assets and general corporate assets.

Notes to Consolidated Financial Statements

(stated in millions of dollars)

Note 21: Segmented Information (Continued)

	Natural Resources			Refined Products			Corporate and Other			Consolidated		
	1991	1990	1989	**1991**	1990	1989	**1991**	1990	1989	**1991**	1990	1989
Revenue												
Sales to customers and other revenues	**$ 405**	$ 506	$ 511	**$ 4 174**	$ 4 934	$ 4 442	**$ 382**	$ 433	$ 73	**$ 4 961**	$ 5 873	$ 5 026
Inter-segment sales	**664**	808	640	**19**	14	–	**–**	–	–			
Segment Revenue	**$ 1 069**	$ 1 314	$ 1 151	**$ 4 193**	$ 4 948	$ 4 442	**$ 382**	$ 433	$ 73			
Earnings												
Operating earnings (loss) before the following:	**$ 427**	$ 672	$ 519	**$ (15)**	$ 375	$ 341	**$ 112**	$ 54	$ 13	**$ 524**	$ 1 101	$ 873
Depreciation, depletion and amortization	**(212)**	(187)	(244)	**(162)**	(155)	(147)	**(33)**	(31)	(5)	**(407)**	(373)	(396)
Exploration expense	**(113)**	(111)	(98)	**–**	–	–	**–**	–	–	**(113)**	(111)	(98)
Interest	**–**	–	–	**–**	–	–	**(203)**	(278)	(222)	**(203)**	(278)	(222)
Unusual items	**(138)**	–	–	**(655)**	–	–	**23**	–	(92)	**(770)**	–	(92)
(Provision for) recovery of income taxes	**(28)**	(175)	(93)	**344**	(95)	(89)	**55**	107	133	**371**	(163)	(49)
Net Earnings (Loss)	**$ (64)**	$ 199	$ 84	**$ (488)**	$ 125	$ 105	**$ (46)**	$ (148)	$ (173)	**$ (598)**	$ 176	$ 16
Capital and Exploration Expenditures												
Property, plant and equipment and exploration expenditures	**$ 341**	$ 393	$ 334	**$ 287**	$ 221	$ 209	**$ 24**	$ 29	$ 25	**$ 652**	$ 643	$ 568
Investments	**(13)**	–	–	**2**	1	(1)	**(59)**	49	(75)	**(70)**	50	(76)
Other assets	**4**	2	4	**2**	10	3	**23**	5	11	**29**	17	18
Acquisition of ICG Propane Inc.	**–**	–	–	**–**	–	–	**–**	235	–	**–**	235	–
	$ 332	$ 395	$ 338	**$ 291**	$ 232	$ 211	**$ (12)**	$ 318	$ (39)	**$ 611**	$ 945	$ 510
Total Assets	**$ 2 485**	$ 2 724	$ 2 733	**$ 2 724**	$ 3 694	$ 3 406	**$ 825**	$ 860	$ 604	**$ 6 034**	$ 7 278	$ 6 743
Capital Employed	**$ 2 247**	$ 2 474	$ 2 498	**$ 2 161**	$ 2 995	$ 2 853	**$ 757**	$ 663	$ 203	**$ 5 165**	$ 6 132	$ 5 554

Note 22: Commitments and Contingent Liabilities

Commitments

(a) The Company has leased property and equipment under various long-term operating leases for periods up to 2011. The minimum annual rentals for non-cancellable operating leases are estimated at $116 million in 1992, $94 million in 1993, $79 million in 1994, $65 million in 1995, $55 million in 1996 and $27 million per year thereafter until 2011.

(b) During 1990 the Company signed agreements with other joint venture participants and with the governments of Canada and Newfoundland and Labrador to develop the Hibernia offshore oil field. Costs of this development project to production start-up are estimated at $5.2 billion; the Company's share after government contributions is expected to be approximately $1.0 billion (before related investment tax credits), of which $83 million had been expended to December 31, 1991. It is anticipated that total development costs subsequent to production start-up, estimated at approximately $3.4 billion, will be financed from cash flow from the Hibernia project.

On February 4, 1992 one of the other joint venture participants announced that it was withdrawing from the Hibernia project. The remaining participants are pursuing alternatives to deal with the consequences of this withdrawal.

(c) The Company has sold call options for approximately 10 million barrels of its 1992 crude oil production at U.S. $22 per barrel.

Contingent Liabilities

The Company is involved in litigation and claims associated with normal operations. Management is of the opinion that any resulting settlements would not materially affect the financial position of the Company.

Note 23: Comparative Figures

Certain reclassifications have been made to the 1990 and 1989 comparative figures to conform with the current year's presentation.

Supplemental Information

(unaudited, stated in millions of dollars)

Generally Accepted Accounting Principles ("GAAP") in the United States

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada, which differ in some respects from those applicable in the United States. The following are the significant differences in accounting principles as they pertain to the accompanying consolidated financial statements.

(a) The Company has reflected the accumulated deferred income taxes previously recorded by the companies it acquired. Under the United States deferral method these deferred income tax balances at the dates of acquisition would not have been recorded by the Company.

(b) The Company has deferred unrealized gains and losses on translation of long-term debt payable in foreign currencies for amortization over the remaining term of the debt. Under United States GAAP, gains or losses on the translation of long-term debt payable in foreign currencies would be credited or charged to earnings with no deferral.

(c) United States GAAP requires that interest be capitalized as part of the cost of certain assets while they are being prepared for their intended use. The Company does not capitalize interest on all such assets.

(d) During 1991 the Company changed its method of accounting to provide for future removal and site restoration costs (Note 3). Under United States GAAP, the cumulative effect would have been charged to earnings in the current period and the prior years' consolidated financial statements would not have been restated, as they were under Canadian GAAP.

(e) During 1990 and 1989 the Company offset contributed surplus of $135 million and $987 million, respectively, against the accumulated deficit (Note 18). Under United States GAAP, this offset would not have occurred.

(f) The foreign currency component of the gain on retirement of long-term debt (Note 6) would have been included in earnings of prior years (see (b) above), thereby creating a loss on retirement of long-term debt which would have been treated as an extraordinary item under United States GAAP.

Supplemental Information

(unaudited, stated in millions of dollars)

Generally Accepted Accounting Principles ("GAAP") in the United States (Continued)

The application of United States GAAP would have the following effects on earnings as reported:

	1991	1990	1989
Net earnings (loss) as reported in the consolidated statement of earnings	$ (598)	$ 176	$ 16
Adjustments, net of applicable income taxes			
Foreign currency translation	(4)	(10)	19
Capitalization (amortization) of interest	7	10	9
Future removal and site restoration costs	(89)	5	4
Share of United States GAAP adjustments related to Westcoast Energy Inc.	(39)	3	3
Gain on retirement of long-term debt	(19)	–	–
Earnings (loss), as adjusted, before extraordinary item	(742)	184	51
Loss on retirement of long-term debt	(24)	–	–
Net earnings (loss), as adjusted	$ (766)	$ 184	$ 51
Net loss per common share			
Before extraordinary item (dollars)	$ 3.82		
After extraordinary item (dollars)	$ 3.95		

Supplemental Information

(unaudited, stated in millions of dollars)

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

The following disclosures on standardized measure of discounted cash flows and changes therein relating to proved oil and gas reserves are determined in accordance with the United States Financial Accounting Standards Board Statement No. 69 ("Disclosures About Oil and Gas Producing Activities").

The future cash flows are calculated by applying year-end prices, or prices provided by contractual arrangements, net of royalties, to year-end quantities of proved oil and gas reserves. Future production, development and site restoration costs are based on year-end costs and estimated future income taxes are based on year-end rates. The resulting future net cash flows are discounted at 10 per cent per annum. The calculation does not represent a fair market value of the Company's oil and gas reserves or of the future net cash flows. Cash flows from the Company's interest in Syncrude are not included and no consideration is given to the value of exploration properties or probable reserves.

Present Value of Estimated Future Net Cash Flows	**1991**	1990[1]	1989[1]
Future cash flows	$ 5 618	$ 10 555	$ 8 933
Future production, development and site restoration costs	2 632	3 343	3 251
Future income taxes	1 044	2 787	2 191
Future net cash flows	1 942	4 425	3 491
Discount of 10 per cent for estimated timing of cash flows	754	2 027	1 547
Discounted future net cash flows	$ 1 188	$ 2 398	$ 1 944
Proportional interest in standardized measure of discounted future net cash flows of Westcoast Energy Inc.	$ 118	$ 192	$ 169

Summary of Changes in Present Value of Estimated Future Net Cash Flows	**1991**	1990[1]	1989[1]
Balance at beginning of year	$ 2 398	$ 1 944	$ 1 693
Changes result from:			
Sales and transfers of oil and gas produced, net of production costs	(373)	(519)	(483)
Net changes in prices, operating costs and royalties	(1 736)	865	638
Extensions, discoveries, additions and improved recovery	32	284	47
Changes in estimated future development costs	19	43	(59)
Development costs incurred during the year	63	79	101
Revisions of previous quantity estimates	(227)	(104)	(121)
Accretion of discount	372	298	256
Net change in income tax	834	(286)	(169)
Purchase and sale of reserves in place	(95)	(17)	(58)
Changes in timing and other	(99)	(189)	99
Net change	(1 210)	454	251
Balance at end of year	$ 1 188	$ 2 398	$ 1 944

[1] Restated – see Note 3 to the Consolidated Financial Statements.

Supplemental Information

(unaudited, stated in millions of dollars)

Oil and Gas Producing Activities

The following tables have been prepared in accordance with the provisions of the United States Financial Accounting Standards Board Statement No. 69. Activities associated with natural gas extraction plants, petroleum products and general corporate costs are not included in these tables.

Results of Operations

	Oil and Gas																	
	Canada - Non-Frontier			Canada - Frontier			International			Bitumen and Other			Syncrude			Total		
	1991	1990[1]	1989[1]	**1991**	1990[1]	1989[1]	**1991**	1990[1]	1989[1]	**1991**	1990[1]	1989[1]	**1991**	1990[1]	1989[1]	**1991**	1990[1]	1989[1]
Sales to customers	**209**	213	271	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**209**	213	271
Inter-segment sales	**376**	496	406	**–**	–	–	**–**	–	14	**9**	20	14	**229**	257	195	**614**	773	629
Total sales	**585**	709	677	**–**	–	–	**–**	–	14	**9**	20	14	**229**	257	195	**823**	986	900
Production expenses	**221**	205	215	**–**	–	–	**–**	–	2	**12**	11	13	**165**	161	157	**398**	377	387
Exploration expenses	**63**	62	57	**9**	14	4	**41**	35	37	**–**	–	–	**–**	–	–	**113**	111	98
Depreciation, depletion and amortization	**161**	132	165	**–**	–	–	**3**	3	6	**–**	5	27	**25**	24	20	**189**	164	218
Syncrude writedown	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**138**	–	–	**138**	–	–
Income taxes	**85**	151	130	**(4)**	(7)	(2)	**(19)**	(16)	(12)	**(1)**	1	(20)	**(33)**	24	3	**28**	153	99
Results of operations	**55**	159	110	**(5)**	(7)	(2)	**(25)**	(22)	(19)	**(2)**	3	(6)	**(66)**	48	15	**(43)**	181	98
Proportional interest in results of Westcoast Energy Inc.	**6**	15	11	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**6**	15	11

[1] Restated – see Note 3 to the Consolidated Financial Statements.

Capitalized Costs

	Oil and Gas									
	Canada - Non-Frontier		Canada - Frontier		International		Bitumen and Other		Syncrude		Total	
	1991	1990	**1991**	1990	**1991**	1990	**1991**	1990	**1991**	1990	**1991**	1990
Proved and unproved oil and gas properties	**3 261**	3 392	**182**	120	**21**	18	**452**	451	**812**	787	**4 728**	4 768
Accumulated depreciation, depletion and amortization	**1 810**	1 794	**–**	–	**6**	3	**452**	451	**330**	197	**2 598**	2 445
Net capitalized costs	**1 451**	1 598	**182**	120	**15**	15	**–**	–	**482**	590	**2 130**	2 323
Proportional interest in net capitalized costs of Westcoast Energy Inc.	**276**	277	**–**	–	**–**	–	**–**	–	**–**	–	**276**	277

Costs Incurred

	Oil and Gas																	
	Canada - Non-Frontier			Canada - Frontier			International			Bitumen and Other			Syncrude			Total		
	1991	1990	1989	**1991**	1990	1989	**1991**	1990	1989	**1991**	1990	1989	**1991**	1990	1989	**1991**	1990	1989
Property costs																		
Proved	**23**	95	24	**–**	–	–	**–**	–	8	**–**	–	–	**–**	–	–	**23**	95	32
Unproved	**14**	28	16	**–**	–	–	**–**	9	7	**–**	–	–	**–**	–	–	**14**	37	23
Exploration costs	**73**	62	67	**7**	14	12	**44**	36	51	**–**	–	–	**–**	–	–	**124**	112	130
Development costs	**81**	94	104	**64**	15	–	**–**	–	–	**1**	5	27	**25**	23	13	**171**	137	144
Proportional interest in costs incurred by Westcoast Energy Inc.	**25**	24	20	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–	**25**	24	20

Supplemental Information

Oil and Gas Landholdings

Petro-Canada's oil and natural gas rights at December 31, 1991, consisted of 32.3 million gross acres and 20.1 million net acres, of which 21.9 million gross acres and 15.1 million net acres are located in Canada. Approximately 55 per cent of Petro-Canada's net conventional landholdings in the Canadian Provinces are located in Alberta, approximately 31 per cent are located in British Columbia and approximately 14 per cent are located in Saskatchewan and Manitoba.

	Developed Lands[1]			Undeveloped Lands[2]			Total		
	1991	1990	1989	1991	1990	1989	1991	1990	1989
	gross/net[3,4]			gross/net			gross/net		
	(millions of acres)								
Canadian Provinces									
Alberta									
Conventional	**2.5/1.1**	2.8/1.1	3.2/1.3	**1.5/0.9**	1.6/1.0	1.9/1.1	**4.0/2.0**	4.4/2.1	5.1/2.4
Oil sands	**0.5/0.1**	0.5/0.2	0.5/0.2	**1.8/0.6**	1.8/0.6	1.9/0.7	**2.3/0.7**	2.3/0.8	2.4/0.9
British Columbia	**0.8/0.5**	0.8/0.5	0.9/0.5	**0.8/0.6**	1.1/0.7	1.2/0.8	**1.6/1.1**	1.9/1.2	2.1/1.3
Saskatchewan/Manitoba	**0.3/0.1**	0.3/0.1	0.2/0.1	**0.5/0.4**	0.6/0.4	0.6/0.5	**0.8/0.5**	0.9/0.5	0.8/0.6
Total Western Provinces	**4.1/1.8**	4.4/1.9	4.8/2.1	**4.6/2.5**	5.1/2.7	5.6/3.1	**8.7/4.3**	9.5/4.6	10.4/5.2
Frontier Canada									
East Coast offshore[5]	**–/–**	-/-	-/-	**1.7/0.7**	1.6/0.9	1.7/0.7	**1.7/0.7**	1.6/0.9	1.7/0.7
Eastern Arctic[6]	**–/–**	-/-	-/-	**4.0/4.0**	4.0/4.0	4.0/4.0	**4.0/4.0**	4.0/4.0	4.0/4.0
Arctic Islands[7]	**–/–**	-/-	-/-	**0.5/–**	0.5/–	0.5/–	**0.5/–**	0.5/–	0.5/–
Beaufort Sea and Mackenzie Delta	**–/–**	-/-	-/-	**1.1/0.2**	2.1/0.3	2.3/0.3	**1.1/0.2**	2.1/0.3	2.3/0.3
Northwest Territories	**–/–**	-/-	-/-	**0.1/0.1**	0.1/0.1	0.8/0.6	**0.1/0.1**	0.1/0.1	0.8/0.6
West Coast offshore[6]	**–/–**	-/-	-/-	**5.8/5.8**	5.8/5.8	5.8/5.8	**5.8/5.8**	5.8/5.8	5.8/5.8
Total	**–/–**	-/-	-/-	**13.2/10.8**	14.1/11.1	15.1/11.4	**13.2/10.8**	14.1/11.1	15.1/11.4
International[8]	**–/–**	-/-	-/-	**10.4/5.0**	17.9/9.9	11.7/6.7	**10.4/5.0**	17.9/9.9	11.7/6.7
Total	**4.1/1.8**	4.4/1.9	4.8/2.1	**28.2/18.3**	37.1/23.7	32.4/21.2	**32.3/20.1**	41.5/25.6	37.2/23.3

[1] Developed lands refers to areas in which Petro-Canada has an interest in producing wells or wells capable of production.
[2] Undeveloped lands refers to areas, other than developed lands, in which Petro-Canada has rights to explore for oil and natural gas.
[3] Gross acres includes the interests of others.
[4] Net acres excludes the interests of others.
[5] Frontier Canada East Coast offshore undeveloped lands includes approximately 0.7 million gross acres and approximately 0.2 million net acres of Commercial and Significant Discovery Areas in the Hibernia, Terra Nova and other East Coast oil fields.
[6] Exploration is not currently permitted in the eastern Arctic and off the coast of western Canada pending environmental impact assessments.
[7] Excludes Panarctic Oils Limited's landholdings, which consisted of approximately 0.8 million gross acres and approximately 0.3 million net acres as at December 31, 1991, almost all of which are undeveloped lands. Petro-Canada owns 52.7 per cent of Panarctic Oils Limited.
[8] At December 31, 1991, Petro-Canada's international landholdings included lands in Colombia, Myanmar, Vietnam and Yemen. In 1991, Petro-Canada withdrew from Ecuador, Malaysia, Pakistan and Papua New Guinea.

Supplemental Information

Net Reserves of Crude Oil, Natural Gas and Sulphur

Crude oil and field natural gas liquids

At year-end 1991, prices for benchmark light crude oil were down 38 per cent and prices for benchmark heavy crude oil were down 52 per cent, compared to year-end 1990. The prices for Edmonton light crude and heavy crude at Hardisty were $21.13 and $12.55 per barrel respectively. This resulted in the reclassification of certain reserves from proved to probable, which more than offset reserve additions at Larne and revisions at Cactus Lake and Pembina.

During the year, the Company sold and purchased properties as part of its asset rationalization program. This resulted in a net reduction of proved crude oil and field natural gas liquids reserves of 15.7 million barrels.

At December 31, 1991, Petro-Canada estimates probable reserves before royalties of 131 million barrels attributable to the Company's 25 per cent interest in Hibernia. These reserves will be booked as proved upon implementation of a waterflood program. In September 1991, Petro-Canada announced its intention to sell a minority percentage of its interest in Hibernia although the timing and extent of any such sale is uncertain.

Natural gas

At year-end 1991, prices were down 20 per cent compared to year-end 1990, resulting in the reclassification of certain reserves from proved to probable. The year-end average price for natural gas was $1.22 per thousand cubic feet. Successful drilling programs at Klua, Murray River, North Bubbles and Jedney accounted for over half of the 1991 reserves additions. Asset rationalization in 1991 resulted in a net reduction of reserves of 78.5 billion cubic feet.

	Crude Oil and Field Natural Gas Liquids (millions of barrels)				Natural Gas (billions of cubic feet)	Sulphur (millions of tons)
	Conventional – Western Provinces	Conventional – International	Synthetic Crude Oil and Bitumen[1]	Total		
Net Proved Developed and Undeveloped Reserves after Royalties[2,3]						
Beginning of year 1989	231.8	2.3	249.4	483.5	2 812.2	5.2
Revisions of previous estimates	8.4	–	(26.6)	(18.2)	33.2	–
Improved recovery methods	3.2	–	–	3.2	–	–
Purchase/(sale) of reserves in place	(7.8)	0.9	–	(6.9)	(13.9)	–
Discoveries and extensions	2.5	0.8	–	3.3	38.1	–
Production	(20.4)	(0.6)	(10.2)	(31.2)	(168.7)	(0.3)
End of year 1989	217.7	3.4	212.6	433.7	2 700.9	4.9
Revisions of previous estimates	(1.4)	(0.9)	5.7	3.4	(171.1)	0.7
Improved recovery methods	25.8	–	–	25.8	0.4	–
Purchase/(sale) of reserves in place	1.3	(2.6)	–	(1.3)	(3.8)	–
Discoveries and extensions	2.5	0.1	–	2.6	82.7	–
Production	(19.0)	–	(10.7)	(29.7)	(144.0)	(0.3)
End of year 1990	226.9	–	207.6	434.5	2 465.1	5.3
Revisions of previous estimates[4]	(35.4)	0.9	11.4	(23.1)	(126.3)	(0.2)
Improved recovery methods	–	–	–	–	–	–
Purchase/(sale) of reserves in place	(15.7)	–	–	(15.7)	(78.5)	0.2
Discoveries and extensions	1.9	–	–	1.9	86.9	0.3
Production	(18.2)	–	(11.2)	(29.4)	(157.8)	(0.4)
End of year 1991	**159.5**	**0.9**	**207.8**	**368.2**	**2 189.4**	**5.2**

Supplemental Information

Net Reserves of Crude Oil, Natural Gas and Sulphur (Continued)

	Crude Oil and Field Natural Gas Liquids (millions of barrels)				Natural Gas (billions of cubic feet)	Sulphur (millions of tons)
	Conventional – Western Provinces	Conventional – International	Synthetic Crude Oil and Bitumen[1]	Total		
Net Proved Developed Reserves after Royalties						
End of 1989	204.0	2.6	194.6	401.2	2 031.1	4.4
End of 1990	182.6	–	207.6	390.2	1 726.8	4.7
End of 1991	**121.2**	**–**	**207.8**	**329.0**	**1 571.8**	**4.5**
Net Proved Developed and Undeveloped Reserves before Royalties[2,3]						
End of 1989	274.7	3.4	250.2	528.3	3 351.0	5.8
End of 1990	275.4	–	243.3	518.7	3 024.7	6.2
End of 1991	**194.0**	**1.1**	**227.9**	**423.0**	**2 653.8**	**6.1**

[1] Proved developed reserves of synthetic crude oil are based on an average production rate at Syncrude of 165 500 barrels per day to the year 2013. Proved reserve quantities would increase if additional facilities were constructed or if the operating permit were extended beyond 2013.

[2] Net proved developed and undeveloped reserves after royalties are Petro-Canada's working interest in reserves after the deduction of Crown or other royalties. Such royalties are subject to change by legislation or regulation and can also vary depending on production rates, selling prices and timing of initial production. No reserve quantities have been included to reflect royalty interests Petro-Canada has in various properties.

[3] Proved reserves are the estimated quantities of crude oil, natural gas, natural gas liquids and sulphur which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, including reserves to be obtained by enhanced recovery processes demonstrated to be successful and from that portion of an area delineated by drilling and defined by gas-oil and/or oil-water contacts in drilled wells or immediately adjacent portions not yet drilled but which can be reasonably evaluated as economically productive, on the basis of geological, geophysical and engineering data. Proved developed reserves are those proved reserves that are expected to be recovered from existing wells or facilities. Proved undeveloped reserves are proved reserves which are not recoverable from existing wells or facilities, but that are expected to be recovered through additional development drilling or through the upgrading of existing or additional new facilities.

[4] Revisions resulting from the application of year-end product prices and uninflated operating and expected development costs as at year end to recoverable reserve estimates are included in 1991 revisions to previous estimates. Prior to 1990, Petro-Canada estimated its proved reserves based on minimum economic production rates expected under future economic conditions.

Supplemental Information

Refining by Locations

Petro-Canada owns and operates four refineries, the Lake Ontario, Edmonton, Port Moody and Montreal refineries, which produce a full slate of refined petroleum products, including gasolines, diesel fuels, heating oils, aviation fuels, heavy fuel oils, asphalts, lubricants and petrochemical feedstocks.

In January 1992, Petro-Canada announced that, in order to improve profitability, it is mothballing refining units located at Port Moody and the Mississauga plant of the Lake Ontario Refinery, and will sell or possibly joint venture its Montreal refinery. The Company will also pursue joint venture options for its lubricants operation at Mississauga.

	Average volumes of crude oil processed per calendar day in the year ended December 31[1]					Daily rated capacity as at December 31, 1991[2,3]
	1991	1990	1989	1988	1987	
	(thousands of cubic metres)					
Lake Ontario, Ontario	13.7	15.2	17.0	15.6	16.0	19.4
Edmonton, Alberta	13.9	13.9	15.6	14.7	13.7	18.4
Montreal, Quebec[4]	10.6	12.2	11.8	10.8	11.4	13.9
Taylor, British Columbia[5]	0.9	2.3	2.1	1.9	1.8	–
Port Moody, British Columbia[6]	2.3	–	–	4.9	4.8	5.9
Moose Jaw, Saskatchewan[7]	–	–	–	0.6	0.7	–
Total	41.4	43.6	46.5	48.5	48.4	57.6

[1] For refineries which closed or recommenced processing crude oil part way through the year, average daily volumes are calculated as if the refinery had operated all year. As a result, actual daily volumes will be greater than those shown in the table.

[2] Daily rated capacity is based on calendar days and definite specifications as to types of crude oil, the products to be obtained and the refinery process required. Variations in these factors may result in actual capacity being higher or lower than rated capacities.

[3] Petro-Canada's average rated capacity utilization was 74 per cent in 1991 compared to 80 per cent in 1990. Average refinery utilization takes into account, where applicable, changes in refinery crude capacity that occurred during the year.

[4] Commencing in 1988, the Montreal refinery processing volumes include partially processed feedstock supplied by the lubricants plant of the Lake Ontario Refinery.

[5] The Taylor refinery was closed in July 1991. Daily rated capacity of this refinery was 2 500 cubic metres.

[6] As a result of the operational integration of the Edmonton and Port Moody facilities, the Port Moody processing volumes were included in the volumes for the Edmonton refinery during 1989 and 1990. Port Moody recommenced processing crude oil in June 1991.

[7] The Moose Jaw asphalt plant was sold in April 1989.

Supply Information

Petro-Canada obtains its crude oil and other refinery feedstock requirements primarily from purchases in domestic markets. Petro-Canada's 1991 gross crude oil production represented approximately one third of the Company's refinery requirements.

	Average volumes of crude oil processed per calendar day in the year ended December 31[1]				
	1991	1990	1989	1988	1987
	(thousands of cubic metres)				
Net domestic supply[2]	30.8	36.1	40.1	45.3	43.9
Net foreign purchases[3]	10.6	7.5	6.4	3.2	4.5
Processed by Petro-Canada	41.4	43.6	46.5	48.5	48.4
Processed for others	(13.1)	(12.4)	(13.4)	(14.3)	(14.5)
Processed by others	10.5	10.6	10.6	10.7	10.7
Total Petro-Canada requirements	38.8	41.8	43.7	44.9	44.6

[1] For refineries and processing agreements acquired part way through a year, average daily volumes are calculated as if the acquisition had occurred at the start of the year and had operated all year at the same level as that following the acquisition. Due to seasonal variations, the average daily volumes shown will not necessarily be indicative of normal full-year refinery operations.

[2] Net domestic supply consists of Petro-Canada's net domestic production plus purchases of domestic crude oil less the Company's domestic and export sales of crude oil. In addition, it includes crude oil supplied by others for processing.

[3] Foreign purchases increased in 1991, primarily due to the shutdown of the pipeline from Sarnia to Montreal and the need to replace Western Canadian crude oil normally shipped through that line. This change in source of supply has not had a material financial impact on the Company.

Five Year Financial and Operating Summary

(stated in millions of dollars, unless otherwise indicated)

Consolidated	1991	1990	1989	1988	1987
Summary of Earnings (Loss)					
Revenue	$ 4 961	$ 5 873	$ 5 026	$ 4 801	$ 5 079
Expenses	5 160	5 534	4 869	4 822	4 776
	(199)	339	157	(21)	303
Unusual Items	(770)	–	(92)	(20)	–
Provision for (recovery of) income taxes	(371)	163	49	31	175
Net earnings (loss) before dividends on redeemable preferred shares	(598)	176	16	(72)	128
Dividends on redeemable preferred shares	–	–	–	10	41
Net earnings (loss) after dividends on redeemable preferred shares	$ (598)	$ 176	$ 16	$ (82)	$ 87
Summary of Statement of Changes in Financial Position					
Operating activities					
Cash flow from operations	$ 292	$ 621	$ 452	$ 607	$ 767
Other	(18)	(20)	(26)	(23)	(11)
Decrease (increase) in operating working capital	108	(307)	(22)	270	(173)
	382	294	404	854	583
Investing activities	(300)	(689)	(392)	(850)	(586)
Financing activities and dividends	(130)	404	(69)	72	104
(Decrease) increase in cash and short-term deposits	$ (48)	$ 9	$ (57)	$ 76	$ 101
Summary of Balance Sheet					
Assets					
Current assets	$ 1 330	$ 1 821	$ 1 557	$ 1 420	$ 1 676
Property, plant and equipment, net	4 084	4 778	4 626	4 617	4 492
Investments and other assets	620	679	560	622	577
Total	$ 6 034	$ 7 278	$ 6 743	$ 6 659	$ 6 745
Liabilities and shareholders' equity					
Current liabilities					
Short-term debt	$ 118	$ 705	$ 716	$ 974	$ 319
Other current liabilities	869	1 146	1 189	1 019	1 093
Long-term debt	1 531	1 537	1 232	1 036	744
Deferred credits	459	367	399	373	307
Deferred income taxes	564	941	914	935	950
Redeemable preferred shares	–	–	–	–	831
	3 541	4 696	4 450	4 337	4 244
Shareholders' equity	2 493	2 582	2 293	2 322	2 501
Total	$ 6 034	$ 7 278	$ 6 743	$ 6 659	$ 6 745
Average Capital Employed	$ 5 649	$ 5 843	$ 5 597	$ 5 646	$ 5 510

Five Year Financial and Operating Summary

(stated in millions of dollars, unless otherwise indicated)

Consolidated (Continued)	1991	1990	1989	1988	1987
Financial Indicators (per cent)					
Performance					
Cash flow return on capital employed	7.3	13.6	10.4	12.2	14.8
Return on capital employed	(8.5)	5.9	2.6	0.1	3.2
Return on equity	(23.6)	7.2	0.7	(3.5)	3.7
Liquidity and Leverage					
Current ratio (times)	1.3	1.0	0.8	0.7	1.2
Cash flow to debt	17.7	27.7	23.2	29.7	36.6
Interest coverage (times)					
– earnings basis	(3.6)	2.2	1.3	0.6	2.3
– cash flow basis	2.3	3.7	3.3	4.6	5.4
Debt to capital employed	31.9	36.6	35.1	35.6	35.1
Debt to debt plus equity	39.8	46.5	45.9	46.4	45.2
Expenditures on Property, Plant and Equipment and Exploration					
Resources division	$ 341	$ 393	$ 334	$ 612	$ 335
Products division	287	221	209	161	122
Corporate and other	24	29	25	29	29
Total	$ 652	$ 643	$ 568	$ 802	$ 486
Acquisitions	$ –	$ 235	$ –	$ –	$ –
Reinvestment Ratio (times)	1.03	1.11	0.87	1.42	0.81
Employees (number at year end)					
Petro-Canada	6 213	6 353	6 468	7 373	7 204
ICG Propane	1 405	1 488	–	–	–
Other subsidiaries	1 906	1 965	2 329	2 345	2 102
Total	9 524	9 806	8 797	9 718	9 306
Shareholders' Data					
Average common shares outstanding (millions)	194.1				
Common shares outstanding at year end (millions)	215.3				
Publicly held common shares at year end (millions)	42.0				
Share prices (dollars)[2]					
– at year-end	9½				
– range during the year	13¼ - 9				
Shares traded (millions)[3]	32.3				

Resources Division

Annual Operating Revenues					
Crude oil and field natural gas liquids					
Conventional crude oil	$ 271	$ 379	$ 356	$ 307	$ 413
Synthetic and bitumen	236	275	207	175	211
Field natural gas liquids	57	66	48	46	57
	564	720	611	528	681
Natural gas	219	221	246	222	203
Sulphur	16	17	21	23	25
Natural gas liquids from straddle plants including ethane	166	200	167	152	145
Other	104	156	106	64	84
Total	$ 1 069	$ 1 314	$ 1 151	$ 989	$ 1 138

Five Year Financial and Operating Summary

(stated in millions of dollars, unless otherwise indicated)

Resources Division (Continued)	1991	1990	1989	1988	1987
Earnings (loss) from operations	$ 31	$ 199	$ 84	$ (113)	$ 89
Unusual items	(95)	–	–	(22)	–
Net Earnings (Loss)	$ (64)	$ 199	$ 84	$ (135)	$ 89
Cash Flow from Operations	$ 303	$ 480	$ 374	$ 406	$ 566
Expenditures on Property, Plant and Equipment and Exploration					
Exploration					
Frontier	$ 8	$ 14	$ 7	$ 47	$ 36
Western provinces	85	90	99	129	101
International	45	45	51	23	12
Development					
Frontier	64	15	5	7	5
Western provinces	81	94	104	158	101
International	–	–	–	3	–
Oil sands					
Syncrude	25	23	13	42	44
Other	1	5	27	96	35
Marketing and other	9	12	5	6	6
Property acquisitions	23	95	32	101	–
	341	393	343	612	340
Petroleum Incentive Program grants	–	–	9	–	5
Total	$ 341	$ 393	$ 334	$ 612	$ 335
Daily Production (net, before royalties/after royalties)					
Crude oil (thousands of barrels)					
Conventional crude oil	48.5/40.1	52.0/42.9	59.1/48.5	63.2/51.0	63.5/50.7
Synthetic and bitumen	31.8/31.2	30.1/29.5	28.4/27.8	28.6/28.1	26.6/26.0
Field natural gas liquids	12.2/9.8	12.2/9.2	12.9/9.5	13.4/9.7	13.2/10.0
Total	92.5/81.1	94.3/81.6	100.4/85.8	105.2/88.8	103.3/86.7
Natural gas liquids production from straddle plants including ethane (thousands of barrels)	34.0/34.0	42.4/42.4	44.8/44.8	40.4/40.4	39.6/39.6
Natural gas (millions of cubic feet)					
including injectants (before royalties)	523.9	497.5	573.1	485.2	434.8
excluding injectants	507.9/416.0	484.0/394.7	556.4/448.4	471.5/382.1	424.9/342.9
Sulphur (thousands of tons)	1.1/0.9	1.1/0.9	1.0/0.8	1.0/0.8	0.9/0.8
Average sale prices					
Conventional crude oil, bitumen and field natural gas liquids ($ per barrel)	17.58	23.00	18.58	15.49	20.83
Natural gas ($ per thousand cubic feet)	1.39	1.53	1.48	1.60	1.62
Average lifting cost ($ per barrel of oil equivalent)	4.74	4.28	4.04	4.10	3.88
Proved Reserves (net, before royalties/after royalties)					
Crude oil and field natural gas liquids (millions of barrels)	423.0/368.2	518.7/434.5	528.3/433.7	591.8/483.5	563.0/460.6
Natural gas (trillions of cubic feet)	2.7/2.2	3.0/2.5	3.4/2.7	3.5/2.8	3.4/2.8
Sulphur (millions of tons)	6.1/5.2	6.2/5.3	5.8/4.9	6.2/5.2	5.2/4.3

Five Year Financial and Operating Summary

(stated in millions of dollars, unless otherwise indicated)

Resources Division (Continued)	1991	1990	1989	1988	1987
Oil and Gas Landholdings (gross/net) (millions of acres)	32.3/20.1	41.5/25.6	37.2/23.3	35.8/20.8	33.8/20.5
Wells drilled (gross/net)					
Canadian provinces – exploration wells					
Oil	2/2	3/1	9/9	16/13	18/11
Natural gas	7/5	8/6	18/16	31/25	9/5
Dry	5/3	14/12	23/20	29/21	30/23
	14/10	25/19	50/45	76/59	57/39
Canadian provinces – development wells					
Oil	33/7	67/24	93/22	164/88	196/73
Natural gas	55/15	83/28	58/26	87/38	40/26
Oil sands	–/–	-/-	20/6	266/133	75/38
Dry	6/2	7/4	8/4	11/6	19/13
	94/24	157/56	179/58	528/265	330/150
Frontier Canada – exploration wells					
Oil	1/–	-/-	1/-	2/1	3/1
Natural gas	–/–	-/-	1/-	1/-	-/-
Dry	3/1	3/2	-/-	3/1	4/2
	4/1	3/2	2/-	6/2	7/3
International – exploration and development wells					
Oil	–/–	1/1	2/1	1/1	-/-
Natural gas	2/–	-/-	-/-	-/-	-/-
Dry	5/2	9/4	4/2	3/1	2/-
	7/2	10/5	6/3	4/2	2/-
Total	119/37	195/82	237/106	614/328	396/192

Products Division					
Annual Operating Revenues					
Gasolines	$ 1 994	$ 2 395	$ 2 117	$ 2 050	$ 2 240
Distillates	1 250	1 475	1 303	1 284	1 384
Other including petrochemicals	949	1 078	1 022	911	837
Total	$ 4 193	$ 4 948	$ 4 442	$ 4 245	$ 4 461
Earnings (loss) from operations	$ (109)	$ 125	$ 105	$ 101	$ 94
Unusual item	(379)	–	–	–	–
Net Earnings (Loss)	$ (488)	$ 125	$ 105	$ 101	$ 94
Cash Flow from Operations	$ 15	$ 258	$ 237	$ 230	$ 294
Expenditures on Property, Plant and Equipment					
Refining	$ 81	$ 89	$ 115	$ 82	$ 49
Marketing	110	73	94	79	73
MTBE plant	96	59	–	–	–
Total	$ 287	$ 221	$ 209	$ 161	$ 122

Five Year Financial and Operating Summary

(stated in millions of dollars, unless otherwise indicated)

Products Division (Continued)	1991	1990	1989	1988	1987
Marketing					
Petroleum product sales (thousands of cubic metres per day)					
Gasolines	19.9	19.4	20.1	19.4	20.3
Distillates	14.2	15.2	15.8	16.1	16.7
Other including petrochemicals	7.2	8.1	8.5	8.3	8.6
Total	41.3	42.7	44.4	43.8	45.6
Average sale prices for petroleum products ($ per cubic metre)					
Gasolines	275	338	289	290	302
Distillates	241	266	226	218	227
Other including petrochemicals	361	365	329	301	267
Average of all products	278	317	274	266	268
Retail outlets at year end	3 150	3 205	3 295	3 429	3 677
Refining					
Refinery crude capacity at year end (thousands of cubic metres per day)	57.6	54.2	54.2	60.6	64.0
Crude oil processed by Petro-Canada (thousands of cubic metres per day)	41.4	43.6	46.5	48.5	48.4
Average refinery utilization (per cent)[4]	74	80	86	77	76

ICG Propane		
Revenue	$ 328	$ 362
Net earnings	3	5
Cash flow from operations	35	30
Expenditures on property, plant and equipment	17	16
Propane sales (millions of litres)	1 234	1 245
Capital employed	240	259

[1] Certain reclassifications have been made to the figures previously reported to reflect subsequent changes in reporting presentation.
[2] Share prices are for trading on the Toronto Stock Exchange.
[3] Total shares traded on the Toronto, Montreal, Vancouver, Alberta and Winnipeg stock exchanges.
[4] Average refinery utilization takes into account, where applicable, changes in refinery crude capacity that occurred during the year.

Quarterly Financial and Stock Trading Information

(unaudited, stated in millions of dollars)

	1991				1990			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue								
Operating	$ 1 284	$ 1 147	$ 1 195	$ 1 180	$ 1 323	$ 1 235	$ 1 426	$ 1 696
Investment and other income	58	22	29	46	55	66	23	49
	1 342	1 169	1 224	1 226	1 378	1 301	1 449	1 745
Expenses								
Crude oil and product purchases	732	637	559	588	592	570	552	787
Producing, refining and marketing	391	396	385	382	369	358	394	397
General and administrative	72	86	72	70	71	79	92	82
Exploration	35	21	23	34	22	42	16	31
Depreciation, depletion and amortization	104	102	97	104	96	89	91	97
Taxes other than income taxes	15	18	17	17	93	103	119	114
Interest on long-term debt	33	31	35	35	34	34	34	35
Other interest	27	22	10	10	30	38	34	39
	1 409	1 313	1 198	1 240	1 307	1 313	1 332	1 582
Earnings (Loss) before Undernoted Items	(67)	(144)	26	(14)	71	(12)	117	163
Unusual Items	(24)	–	(132)	(614)	–	–	–	–
Provision for (Recovery of) Income Taxes	(39)	(47)	(21)	(264)	31	–	67	65
Net Earnings (Loss)	$ (52)	$ (97)	$ (85)	$ (364)	$ 40	$ (12)	$ 50	$ 98
Cash Flow from Operations	$ 62	$ 39	$ 105	$ 86	$ 143	$ 77	$ 179	$ 222
Segmented Net Earnings (Loss)								
Resources	$ 14	$ (13)	$ (81)	$ 16	$ 33	$ 23	$ 45	$ 98
Products	(80)	(56)	30	(382)	25	(2)	70	32
Corporate and Other	14	(28)	(34)	2	(18)	(33)	(65)	(32)
	$ (52)	$ (97)	$ (85)	$ (364)	$ 40	$ (12)	$ 50	$ 98

Share Information (unaudited, stated in dollars unless otherwise indicated)		
Net loss per common share	0.40	1.83
Cash flow from operations per common share	0.49	0.40
Dividends per common share	0.0325	0.0325
Share price[1] – High	13⅛	11¼
– Low	10⅞	9
– Close (end of period)	11⅛	9½
Shares traded (millions)[2]	16.5	6.9

[1] Share prices are for trading on the Toronto Stock Exchange.
[2] Total shares traded on the Toronto, Montreal, Vancouver, Alberta and Winnipeg stock exchanges. In addition to the volume shown for the third and fourth quarters of 1991, 8.9 million shares were traded in June 1991 on an "if as and when issued" basis.

Information for Shareholders and Investors

Transfer Agent

Petro-Canada's transfer agent is the Royal Trust Company. Share certificates may be transferred at any of Royal Trust's corporate trust offices in Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver. Questions relating to share certificates, dividends and estate settlements should be directed to the Royal Trust corporate trust offices in Calgary. The address is: The Royal Trust Company, Corporate Trust Dept., 6th Floor, 333-7th Avenue S.W., Calgary, Alberta, Canada T2P 2Z1. [Telephone (403) 231-1405.]

Dividends

Petro-Canada's Board of Directors has adopted a policy of paying quarterly dividends of $0.0325 ($0.13 per annum) per common share. The Board reviews the policy from time to time in light of the Company's financial position, its financing requirements for growth and other factors. Dividends are normally paid on or about the first day of the months of January, April, July and October. The record dates are normally set approximately four weeks ahead of the dividend payment date. Petro-Canada does not currently offer an automatic dividend reinvestment service.

Information for Shareholders outside Canada

Dividends and/or interest payments made to residents in countries with which Canada has a bilateral tax treaty are subject to Canadian non-resident withholding tax of 15 per cent. The majority of countries are in this category. There is no Canadian tax on gains from the sale of shares or debt instruments owned by non-residents not carrying on business in Canada. Estate taxes or succession duties are not levied by any level of government in Canada.

Investor Relations/Shareholder Communications

Petro-Canada's Investor Relations staff may be contacted by writing to Investor Relations, Petro-Canada, P.O. Box 2844, Calgary, Alberta, Canada T2P 3E3. [Telephone (403) 296-4000 or fax (403) 296-3061.] Investor Relations staff will be pleased to respond to shareholders' and investors' comments and can provide upon request:

- additional annual reports and copies of interim reports;
- copies of the Annual Information Form (AIF) prepared by Petro-Canada for Canadian securities regulators; and
- copies of Form 20-F prepared by Petro-Canada for the U.S. Securities and Exchange Commission.

Annual Meeting

The annual meeting of shareholders will be held at 10:30 a.m. local time on Tuesday, May 5, 1992, at the Jack Singer Concert Hall, Calgary Centre for Performing Arts, 205 – 8th Avenue S.E., Calgary, Alberta.

Stock Trading Symbol

PCA

Stock Exchange Listings

Toronto, Montreal, Vancouver, Alberta and Winnipeg

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Chairman and
Chief Executive Officer
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Calgary, Alberta

James M. Stanford
President and
Chief Operating Officer
Petro-Canada
Calgary, Alberta

†Alfred E. Barroll
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A.E. Barroll Resource
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Calgary, Alberta

*Audit Committee member
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Chief Executive Officer

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President and
Chief Operating Officer

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Petro-Canada Resources Division

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Petro-Canada Products Division

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Chief Financial Officer